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GAO

Annual Report to the Chairmen, House and Senate Committees on Appropriations



February 1988

STATUS OF OPEN RECOMMENDATIONS

Improving Operations of Federal Departments and Agencies



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GAO

United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

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The Honorable Jamie L. Whitten
Chairman, Committee on Appropriations
House of Representatives

The Honorable John C. Stennis
Chairman, Committee on Appropriations
United States Senate

This is our annual report summarizing the findings and open recommendations resulting from GAO's audits and other review work in the federal departments and agencies on which satisfactory legislative or administrative actions have not yet been completed. To encourage prompt, responsive actions on its recommendations, GAO systematically follows up on them. This report contains information on a total of 1,298 GAO recommendations which were open as of November 30, 1987.

The report summaries are arranged by the budget function categories by which federal funds are appropriated and identified in the President's budget. Two indexes are included. The Committees of Jurisdiction Index can be used to identify GAO findings and recommendations made to agencies for which committees have appropriation and oversight responsibility. GAO report titles are also listed. The Recommendation Addressee Index can be used to identify the same information by agencies to whom recommendations are addressed.

Details on these findings and recommendations can be found in the individual GAO reports cited. Although copies of those reports were previously provided to both the Congress and the agencies involved, this summary information should be useful to your committees in reviewing agencies' budget requests and operations. Please contact our Office of Congressional Relations if you wish us to suggest specific questions to be asked in appropriations hearings on the items summarized or if you need additional information.

We are sending copies of this report to the Office of Management and Budget and the federal departments and agencies so they may be in a position to answer any inquiries made on these issues during the appropriations/ oversight hearings. Copies are also being provided to other interested congressional committees.

for Charles A. Bowsher
Comptroller General
of the United States

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Example

Sample Entry

Budget Function ——— Administration of Justice

Budget Subfunction ——— **Federal Correctional Activities**

Title ——— Presentence Evaluati Responsive to the Nee

Report Number/Document Date ——— GGD-85-14, 04/09/85

Background ———

Background

In order to report on how presentence psychiatric evaluations can be improved, GAO reviewed 157 cases where offenders were committed to the Federal Prison System for observation and study and 83 local studies ordered during fiscal year (FY) 1981

Findings ———

Findings

GAO found that the observation and study process has not been as useful as it could be because the Judicial Conference of the United States and the Federal Prison System have not (1) established criteria for the selection of appropriate cases for observation and study, (2) developed and disseminated guidance on the types of questions that experts can be expected to answer, and (3) established a system to evaluate whether studies have met the needs of the district courts GAO found that judges did not provide study objectives and referral questions in 76 of the 157 cases it examined In addition, GAO found that about 78 percent of all studies ordered in FY 1981 were performed by the Federal Prison System GAO also

Open Recommendations to Agencies

Recommendations to Agencies ———

Recommendation: The Judicial Conference, through the Administrative Office of the U S Courts and the Federal Judicial Center, and the Attorney General, through the Federal Prison System, should form a partnership to develop criteria for the selection of cases appropriate for observation and study

Recommendation Addressee (when more than one Addressee) ———

Addressee: Department of Justice

Recommendation Status ———

Status: Action not yet initiated On April 13, 1987, the Sentencing Commission transmitted to Congress draft sentencing guidelines Justice should be acting on this recommendation, since the sentencing guidelines became effective on November 1, 1987

Status Comments ———

Addressee: Judicial Conference of the United States

Status: Action not yet initiated On April 13, 1987, the Sentencing Commission transmitted to Congress draft sentencing guidelines The Judicial Conference should act on this recommendation, since the sentencing guidelines became effective on November 1, 1987

Administration of Justice

ADP Acquisitions: Immigration and Naturalization Service Should Terminate Its Contract and Recompete

IMTEC-86-5, 03/20/86

Background

GAO reviewed the Immigration and Naturalization Service's (INS) management of automatic data processing (ADP) to evaluate its ongoing, multimillion-dollar computer systems acquisition.

Findings

GAO found that INS: (1) violated procurement regulations by conducting additional negotiations with the proposed awardee in late-night meetings, which resulted in the awardee reducing its best and final offer; (2) favorably evaluated the proposed awardee's offer of a decentralized system, while it downgraded the other offerer's proposal for the centralized system it had specifically stated that it required; (3) evaluated equipment price offers on the basis of lease-with-option-to-purchase, then awarded the contract on an installment-purchase basis, even though the other comparable offer was at least $1.8 million lower; and (4) violated the terms of its delegation of procurement authority by accepting changes in the size and configuration of the system that increased contract costs to over $11 million more than authorized. Although the other firm eventually negotiated an out-of-court settlement to perform the contract, it installed the original company's proposed equipment under the same terms and costs as the original contract. INS modified the contract to incorporate the new awardee's fees, which resulted in prices exceeding both the originally awarded and published list prices. The payment of higher-than-list prices contrasted with both commercial and federal practices. Although it was urged to cease ordering equipment against the current contract and recompete its computer needs, INS renewed its agreement for fiscal year (FY) 1986. GAO believes that the continuation of the contract and the absence of documented computer needs is a material control weakness.

Open Recommendations to Agencies

Recommendation: To ensure that valid INS computer needs are met expeditiously, but at the lowest reasonable cost to the government, the Attorney General should direct the Commissioner, INS, to reassess, justify, and document current and projected INS ADP requirements and translate those requirements into a long-range, documented strategy. The reassessment should result in a clarification of INS equipment needs.

Status: Action in process. Estimated completion date: 09/89. INS contracted with the Federal Computer Performance Evaluation and Simulation Center for a complete requirements study. The study represents a step in the direction of ultimately developing the recommended long-range documented strategy.

Recommendation: To ensure that valid INS computer needs are met expeditiously, but at the lowest cost to the government, the Attorney General should direct the Commissioner, INS, to competitively procure the automation needs outlined by this strategy and terminate its contract with the current contractor, including that equipment currently under lease.

Status: Action not yet initiated. INS is committed to a recompetition. Actual recompetition will be subject to completion and evaluation of prototypes.

Federal Correctional Activities

Presentence Evaluations of Offenders Can Be More Responsive to the Needs of the Judiciary

GGD-85-14, 04/09/85

Background

In order to report on how presentence psychiatric evaluations can be improved, GAO reviewed 157 cases where offenders were committed to the Federal Prison System for observation and study and 83 local studies ordered during fiscal year (FY) 1981.

Findings

GAO found that the observation and study process has not been as useful as it could be because the Judicial Conference of the United States and the Federal Prison System have not: (1) established criteria for the selection of appropriate cases for observation and study; (2) developed and disseminated guidance on the types of questions that experts can be expected to answer; and (3) established a system to evaluate whether studies have met the needs of the district courts. GAO found that judges did not provide study objectives and referral questions in 76 of the 157 cases it examined. In addition, GAO found that about 78 percent of all studies ordered in FY 1981 were performed by the Federal Prison System. GAO also found that the average cost of Federal Prison System studies was approximately twice the cost of local studies, and Federal Prison System studies took approximately twice as long to complete. For over 10 years, the Parole Commission has believed that its involvement in the studies for youthful offenders should be terminated. However, the enactment of the Comprehensive Crime Control Act should make a number of changes which should improve the process.

Open Recommendations to Agencies

Recommendation: The Judicial Conference, through the Administrative Office of the U.S. Courts and the Federal Judicial Center, and the Attorney General, through the Federal Prison System, should form a partnership to develop criteria for the selection of cases appropriate for observation and study.
Addressee: Department of Justice
Status: Action not yet initiated. On April 13, 1987, the Sentencing Commission transmitted to Congress draft sentencing guidelines. Justice should be acting on this recommendation, since the sentencing guidelines became effective on November 1, 1987.
Addressee: Judicial Conference of the United States
Status: Action not yet initiated. On April 13, 1987, the Sentencing Commission transmitted to Congress draft sentencing guidelines. The Judicial Conference should act on this recommendation, since the sentencing guidelines became effective on November 1, 1987.

Recommendation: The Judicial Conference, through the Administrative Office of the U.S. Courts and the Federal Judicial Center, and the Attorney General, through the Federal Prison System, should form a partnership to develop and disseminate guidance to district courts on the types of questions that clinical experts can be expected to answer.
Addressee: Department of Justice
Status: Action not yet initiated. On April 13, 1987, the Sentencing Commission transmitted to Congress draft sentencing guidelines. Justice should act on this recommendation, since the sentencing guidelines became effective on November 1, 1987.
Addressee: Judicial Conference of the United States
Status: Action not yet initiated. On April 13, 1987, the Sentencing Commission transmitted to Congress draft sentencing guidelines. The Judicial Conference should act on this recommendation, since the sentencing guidelines became effective on November 1, 1987.

Recommendation: The Judicial Conference, through the Administrative Office of the U.S. Courts and the Federal Judicial Center, and the Attorney General, through the Federal Prison System, should form a partnership to establish a system for regular evaluation of whether the studies performed for the district courts are responsive to their needs.
Addressee: Department of Justice
Status: Action not yet initiated. On April 13, 1987, the Sentencing Commission transmitted to Congress draft sentencing guidelines. Justice should act on this recommendation, since the sentencing guidelines became effective on November 1, 1987.

Addressee: Judicial Conference of the United States
Status: Action not yet initiated. On April 13, 1987, the Sentencing Commission transmitted to Congress draft sentencing guidelines. The Judicial Conference should act on this recommendation, since the sentencing guidelines became effective on November 1, 1987.

Federal Law Enforcement Activities

Justice Needs Better Controls Over Payment of Witness Fees

GGD-84-61, 07/12/84

Background

GAO reviewed how three U.S. attorney's offices and three U.S. Marshals Service offices manage the use of and payments to fact witnesses and to experts who testify at trials or in nontrial activities.

Findings

GAO found that Department of Justice policy regarding the approved use of and payments to fact witnesses is not being followed, and fact witness payments are being processed and paid by the U.S. marshals offices without proper certification. Further, payments to some expert witnesses are not in compliance with Justice guidelines. Regarding expert consultants who assist with nontrial activities, no clear Justice guidance exists to help U.S. attorneys and marshals in calculating their compensation.

Open Recommendations to Agencies

Recommendation: The Attorney General should direct the Justice Management Division to develop guidance for U.S. attorneys and marshals to use in negotiating fees and making payments to experts who are used in nontrial activities.
Status: Action in process. Justice drafted a revision to its order on incurring and paying certain witness fees and expenses, but is no longer considering issuing a revised order. Instead, it is pursuing legislation to get an exemption from procurement regulations when using expert witnesses. Further, Justice's Office of Contract Administration Services has been educating U.S. attorneys' and U.S. marshals office personnel.

Recommendation: The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that all fact witness claims must be properly completed before payments are made and must include approved certifying signatures.
Status: Action in process. Justice drafted a revision to its order on incurring and paying certain witness fees and expenses, but is no longer considering issuing a revised order. Instead, it is pursuing legislation to get an exemption from procurement regulations when using expert witnesses. Further, Justice's Office of Contract Administration Services has been educating U.S. attorneys' and U.S. marshals office personnel.

Recommendation: The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that departmental approval must be obtained prior to obtaining the services of expert witnesses.
Status: Action in process. Justice drafted a revision to its order on incurring and paying certain witness fees and expenses, but is no longer considering issuing a revised order. Instead, it is pursuing legislation to get an exemption from procurement regulations when using expert witnesses. Further, Justice's Office of Contract Administration Services has been educating U.S. attorneys' and U.S. marshals office personnel.

Recommendation: The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that expert witnesses must be paid only by the Justice Management Division.
Status: Action in process. Justice drafted a revision to its order on incurring and paying certain witness fees and expenses, but is no longer considering issuing a revised order. Instead, it is pursuing legislation to get an exemption from procurement

regulations when using expert witnesses. Further, Justice's Office of Contract Administration Services has been educating U.S. attorneys' and U.S. marshals office personnel.

Recommendation: The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that fees paid to experts used for nontrial purposes must be in compliance with Justice policies once they are promulgated.
Status: Action in process. Justice drafted a revision to its order on incurring and paying certain witness fees and expenses, but is no longer considering issuing a revised order. Instead, it is pursuing legislation to get an exemption from procurement regulations when using expert witnesses. Further, Justice's Office of Contract Administration Services has been educating U.S. attorneys' and U.S. marshals office personnel.

Recommendation: The Attorney General should require personnel of the U.S. attorney's and U.S. marshals offices to make supervisory reviews of payments to fact witnesses to ensure they are accurate and comply with Justice guidelines.
Status: Action in process. Justice drafted a revision to its order on incurring and paying certain witness fees and expenses, but is no longer considering issuing a revised order. Instead, it is pursuing legislation to get an exemption from procurement regulations when using expert witnesses. Further, Justice's Office of Contract Administration Services has been educating U.S. attorneys' and U.S. marshals office personnel.

Recommendation: The Attorney General should require personnel of the U.S. attorney's and U.S. marshals offices to routinely notify fact witnesses of their entitlements and provide each of them a copy of Justice Form OBD-2 before they make their travel arrangements.
Status: Action in process. Justice drafted a revision to its order on incurring and paying certain witness fees and expenses, but is no longer considering issuing a revised order. Instead, it is pursuing legislation to get an exemption from procurement regulations when using expert witnesses. Further, Justice's Office of Contract Administration Services has been educating U.S. attorneys' and U.S. marshals office personnel.

Federal Law Enforcement Activities

Opportunities for Immigration and Naturalization Service To Improve Cost Recovery and Debt Collection Practices

GGD-84-86, 07/13/84

Background

GAO reviewed selected revenue-producing activities of the Immigration and Naturalization Service (INS) to determine whether INS is recovering the costs of services provided to identifiable recipients. GAO also determined how effective INS has been at collecting debts owed the government.

Findings

GAO found that, as of September 1983, INS had delinquent accounts receivable amounting to more than $118 million. Although INS recognizes the need to more fully recover costs and improve collection activities and has taken some corrective actions, it has missed opportunities. INS can more fully recover costs for certain services provided to the airlines and for certain fees related to applications for immigration benefits. Also, INS can more effectively and aggressively bill for and collect debts owed the government.

Open Recommendations to Agencies

Recommendation: The Attorney General should direct the Commissioner, INS, to: (1) review fees annually and adjust them in accordance with Office of Management and Budget requirements; (2) review the adequacy of the $25 maximum charge for private aircraft and vessel inspection and, if appropriate, propose legislation to increase it; and (3) work with the Executive Office for Immigration Review on implementing proposed fees for appeals.
Status: Action in process. A draft final rule responding to the first and third part of this recommendation is with the Attorney General. Justice reviewed the adequacy of the fee and agreed on an increase to $45, but has not proposed

legislation to increase the fee because of a 1986 denial of a similar proposal by the Customs Service.

Recommendation: The Attorney General should direct the Commissioner, INS, to establish controls to ensure that debts owed the government are promptly identified, recorded, and billed.
Status: Action in process. Actions promised by INS have fallen short of expectations. GAO is evaluating possible follow-up action.

Recommendation: The Attorney General should direct the Commissioner, INS, to establish debt ceilings and a system to track debt levels and bond coverage nationwide, by company, to ensure that bond amounts are adequate to cover the total potential loss from company default.
Status: Action in process. GAO is currently evaluating agency actions.

Recommendation: The Attorney General should direct the Commissioner, INS, to require that bonds from airlines cover liquidated damages as well as fines.
Status: Action in process. GAO is currently evaluating agency actions.

Recommendation: The Attorney General should direct the Commissioner, INS, to demand payment from surety companies for breached immigration bonds and delinquent debts owed by carriers and, through the Department of the Treasury, pursue decertification of surety companies that fail to pay.
Status: Action in process. GAO is currently evaluating agency actions.

Federal Law Enforcement Activities

Bank Secrecy Act: Treasury Can Improve Implementation of the Act

GGD-86-95, 06/11/86

Background

In response to a congressional request, GAO: (1) reviewed the Department of the Treasury's management of the Bank Secrecy Act of 1970; (2) studied how law enforcement personnel use the act; and (3) examined the collection, analysis, and dissemination of data compiled as a result of the act.

Findings

GAO noted that the law requires individuals and institutions to file reports on: (1) currency transactions exceeding $10,000; (2) the movement of currency over $10,000 into or out of the United States; and (3) those having a financial interest in, or signature authority over, bank accounts, securities, accounts, or other financial accounts in a foreign country. GAO found that: (1) Treasury lacks information about how supporting agencies carry out their delegated duties; (2) Treasury does not know the extent to which agencies use the act in their criminal investigations and prosecutions; (3) between January 1985 and March 1986, the Internal Revenue Service (IRS) experienced a major backlog of unprocessed reports; (4) the Customs Service processed its reports within a month of receipt; (5) Customs now provides feedback forms with reports sent to law enforcement agents and has proposed revised guidelines for disseminating data that would decrease the time law enforcement officials spend on obtaining certain types of data; (6) Customs and IRS are the primary users of the act and its data in Florida and California; (7) the Federal Bureau of Investigation and the Drug Enforcement Administration use the act and its data in investigations and prosecutions for crimes other than currency violations; and (8) Treasury and the Department of Justice are considering amending the act's implementing regulations to clarify the reporting requirements.

Open Recommendations to Agencies

Recommendation: The Secretary of the Treasury, through the Assistant Secretary for Enforcement, should establish management controls aimed at providing more information to Treasury headquarters about the activities of the agencies and bureaus to which it has delegated authority to implement the Bank Secrecy Act of 1970. Such controls would help its headquarters to improve the implementation of the act and would provide assurance to its headquarters that the primary purpose of the act, aiding law enforcement officials in the detection, investigation, and prosecution of criminal activities, is being met.

Status: Action in process. The Bank Secrecy Act working group was expanded to include the Department of Justice. Two new subgroups were created to look at ambiguities in the regulation and improve the exchange of targeting information on noncompliant financial institutions. Treasury is also publishing, in the Code of Federal Regulations and the Federal Register, current interpretations of questions on the act.

Recommendation: The Secretary of the Treasury, to improve implementation of the act, should establish formal reporting procedures for agencies and bureaus with act-related duties, which will ensure that Treasury headquarters regularly receives significant and comparable information about compliance and enforcement efforts.
Status: Action in process. Treasury has met with agencies with act-related duties to discuss its data needs, and a study is being done to determine if the current reporting system needs to be expanded or cut back.

Recommendation: The Secretary of the Treasury, to improve implementation of the act, should develop procedures for referring financial institutions found in violation of the act to Treasury for consideration for a civil review leading to possible civil penalties.
Status: Action in process. Referral guidelines were developed based on a model developed by the Office of the Comptroller of the Currency. Each agency will review the guidelines and then enter into a formal agreement with Treasury on the implementation of the guidelines.

Recommendation: The Secretary of the Treasury, to improve implementation of the act, should obtain information from law enforcement agencies, which would identify cases when the act or its data is used in criminal investigations and prosecutions.
Status: Action in process. Treasury is continuing its discussions with law enforcement agencies on the uses of Bank Secrecy Act data. A mechanism to direct completed cases to law enforcement agencies is being developed.

Recommendation: The Secretary of the Treasury, to improve implementation of the act, should require Customs to establish a system for planning its analytical activities and modifying these plans based on feedback from law enforcement officials to ensure that Customs' analyses are meeting the needs of the law enforcement community.
Status: Action in process. Treasury is currently reviewing the fiscal year 1988 work plans for the Financial Analysis Division of Customs. Feedback on Customs' activities and analyses has identified problems with methodologies and the overall productivity of the division.

Federal Law Enforcement Activities

Cargo Imports: Customs Needs To Better Assure Compliance With Trade Laws and Regulations

GGD-86-136, 09/08/86

Background

In response to a congressional request, GAO reviewed the Customs Service's cargo inspection process to determine whether this process ensures adequate enforcement of U.S. import laws.

Findings

GAO found that most of Customs' physical examinations of imported cargo were superficial and inadequate because the inspectors: (1) usually examined one or two packages selected from the most accessible locations in the shipment; (2) often allowed non-Customs personnel to select the merchandise to be examined; and (3) usually did not verify that the quantity in the shipment was equal to the amount the importers declared. The Department of the Treasury's amendment to Customs' regulations allowed Customs to use a selected inspection system in which it would examine only the shipments categorized as high-risk; however, the manner in which Customs performed the inspections did not provide reliable information for determining whether it should examine similar shipments. GAO believes that: (1) the lack of specific guidelines and the high volume of merchandise requiring inspection have reduced the quality of Customs' examinations; and (2) although Customs' inspectors should have some discretion in determining the thoroughness of examinations, guidelines are needed for

determining the examination intensity based on the shipment's potential risk.

Open Recommendations to Agencies

Recommendation: To assist Customs in ensuring that cargo entering this country is in compliance with import requirements, the Secretary of the Treasury should direct the Commissioner of Customs to develop specific policies and procedures for inspectors to use for determining the intensity of cargo examinations. Customs should base the degree of intensity on the risk of the shipment and the purpose of the examination.
Status: Action in process. Customs reported that it has planned 12 initiatives to improve its cargo inspections. The most significant changes are evaluating major cargo ports to ensure better examinations, and establishing a model cargo processing port to test innovative cargo processing techniques that are being tested or implemented in other ports. Many of the other initiatives are several years from implementation.

Federal Law Enforcement Activities

Criminal Aliens: Majority Deported From the New York City Area Not Listed in INS' Information Systems

GGD-87-41BR, 03/03/87

Background

In response to a congressional request, GAO provided information on the Immigration and Naturalization Service's (INS) activities to: (1) investigate, apprehend, detain, and deport criminal aliens in the New York City area; and (2) prevent them from reentering the country.

Findings

GAO found that: (1) in many cases, INS has not entered information on deported aliens with criminal convictions into the two computer systems INS inspectors at New York City's John F. Kennedy International Airport use to detect deported aliens trying to reenter the country; (2) the National Automated Immigration Lookout System (NAILS) has no information on 94 percent of the deported criminal aliens from the New York area; (3) the INS New York District Office (NYDO) did not routinely complete the forms used to enter the names of deported aliens into NAILS because of understaffing; (4) the Central Index System (CIS) does not contain information on approximately 63 percent of the deported aliens, even though NYDO completed the necessary forms; and (5) INS could not determine whether the fault for incomplete forms lay with NYDO or headquarters, since no procedures existed to reconcile the NYDO data with the CIS output.

Open Recommendations to Agencies

Recommendation: The Commissioner, INS, should determine why CIS does not contain information on all deported aliens and take the appropriate action to ensure that the system is kept current.
Status: Action in process. INS reported that it is working on procedures to ensure that CIS contains information on all deported aliens.

Federal Law Enforcement Activities

Immigration Reform: Systematic Alien Verification System Could Be Improved

IMTEC-87-45BR, 09/30/87

Background

Pursuant to a legislative requirement, GAO examined the effectiveness of the Immigration and Naturalization Service's (INS) Systematic Alien Verification for Entitlements (SAVE) system, particularly its implementation nationwide.

Findings

GAO found that: (1) the SAVE system provides quick and positive verification of an alien's immigration status; (2) during a 6-month period, INS detected 734 illegal aliens out of about 13,426 applicants for unemployment compensation benefits; and (3) of the 13,426 cases it examined, approximately 4,100 aliens required secondary verification of their legal status and of those, about 96 percent were legal. GAO also found that: (1) although INS intends to improve its data to ensure accurate, positive primary verifications, such improvement will not occur before the middle of 1988; (2) INS plans to correct the deficiencies in its central system on a case-by-case basis during secondary verification until it implements a nationwide verification system; and (3) since the system is still in the developmental stage, INS has not determined its overall cost.

Open Recommendations to Agencies

Recommendation: To ensure that the nationwide SAVE system meets the needs of state and local officials, the Commissioner, INS, should develop: (1) a formal corrective action plan that clearly identifies both short-term and long-term corrective actions INS plans to take to improve the quality and completeness of the data base accessed by the SAVE system; (2) statistical and trend data on the magnitude of primary verifications with magnitude, turn-around-time, and records corrected during secondary verification.
Status: Action not yet initiated. INS has not had sufficient time to respond to the recommendation.

Recommendation: The Commissioner, INS, should share these plans with appropriate Cabinet Secretaries in time to support their decisions on whether to waive the use of SAVE, since they will be comparing the effectiveness and timeliness of SAVE versus other verification methods.
Status: Action not yet initiated. INS has not had sufficient time to respond to the recommendation.

Federal Litigative and Judicial Activities

Justice Department: Problems in Collecting Forfeited Corporate Surety Bail Bonds

GGD-87-114BR, 09/22/87

Background

In response to a congressional request, GAO examined the Department of Justice's collection of forfeited corporate surety bail bonds in four districts to determine the: (1) number of defendants released on bond prior to trial; (2) number of defendants who failed to appear in court; (3) dollar amount of forfeited bonds; and (4) reasons why the funds remained uncollected.

Findings

GAO found that: (1) of the 1,386 cases reviewed, 91 defendants were released on corporate surety bail bonds; (2) 21 defendants failed to appear in court; (3) two of the four districts had bail bonds

totalling $442,000; (4) although one of the districts collected 100 percent of the funds owed, the other district collected only 9.7 percent of the funds, leaving $342,500 in uncollected funds; and (5) most of the funds remained uncollected because U.S. attorneys failed to initiate collection actions because of heavy case loads.

Open Recommendations to Agencies

Recommendation: The Attorney General should require the Executive Office for United States Attorneys to determine if other districts are experiencing problems in collecting forfeited surety bail bonds.

Status: Action not yet initiated. The report was not released to Justice until October 22, 1987, and it has not had time to act on this recommendation.

Agriculture

Internal Control Improvements Needed in Agriculture's Miscellaneous Payments System

AFMD-85-66, 09/19/85

Background

GAO reviewed the Department of Agriculture's (USDA) National Finance Center's (NFC) miscellaneous payments system to assess the: (1) adequacy of internal controls for ensuring the accuracy and reliability of payment transaction processing; and (2) controls for ensuring the system's compliance with Comptroller General (CG) requirements pertinent to payment systems.

Findings

GAO found that: (1) key internal control objectives for the system were not being met because field agency and NFC internal control techniques were inadequate or not followed; (2) internal control weaknesses significantly increased the vulnerability of the system to transaction data errors and unauthorized payment transactions; and (3) transaction data errors could undermine the system's effectiveness in complying with CG standards for accuracy in processing and financial reporting. GAO also found that: (1) control improvements were needed at the field-certifying-officer level to ensure the accuracy of system transaction data; (2) improvements were needed in NFC data entry activities to ensure the accuracy of data processed; (3) NFC needs to discontinue bypassing a system designed to ensure proper reporting; (4) NFC needs to increase the scope of its payment transaction audits to better ensure that errors not detected are identified; (5) NFC needs to better control sensitive codes used by the system to assist in ensuring that only authorized transactions are processed; and (6) internal procedures need to be updated for the payments system.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should instruct the Assistant Secretary for Administration to direct the Director, Office of Finance and Management, to establish a procedure for periodically analyzing reasons for system edit rejections by source so that appropriate actions to obtain improvements can be initiated.
Status: Action in process. The one-time study is incomplete. NFC would like to bill agencies based on edit rejections. The projected date for billing capability is fiscal year 1988.

Recommendation: The Secretary of Agriculture should instruct the Assistant Secretary for Administration to direct the Director, Office of Finance and Management, to increase the number of essential miscellaneous payments system data fields for which rekeying is performed by data entry clerks to ensure accuracy, at least on a selective transaction basis.
Status: Action in process. The study was completed and fields were identified; however, implementation was delayed pending receipt of new data input hardware. No target date was set.

Agriculture's Second-Year Implementation of the Federal Managers' Financial Integrity Act

RCED-86-20, 10/24/85

Background

GAO reviewed the Department of Agriculture's (USDA) second-year implementation of the Federal Managers' Financial Integrity Act of 1982 (FIA) to assess: (1) improvements in internal controls and the process used to evaluate and correct control weaknesses; (2) the status of major accounting systems and evaluations; and (3) the accuracy and completeness of the Secretary's annual report on internal controls and accounting systems.

Findings

GAO found that: (1) although USDA has been correcting known internal control problems and has been improving its system for evaluating and correcting internal control weaknesses, it needs to strengthen techniques for measuring and reducing program vulnerability and monitoring the effectiveness of corrective actions; (2) four USDA agencies have not yet implemented an internal control program consistent with Office of Management and Budget and departmental guidelines; (3) in some instances, reported corrective actions did not correct the problem or were misleading because the action only partially solved the problem; and (4) the methods used by managers to examine program risk were not yielding consistent and reliable results. GAO also found that: (1) most large systems had not been examined using evaluation techniques to test systems in operation; (2) several large systems are undergoing redesign to correct long-standing deficiencies that will take several years to complete; and (3) the Secretary accurately reported that complete assurance could not be given that USDA was meeting FIA requirements because of the large number of uncorrected internal control and accounting weaknesses.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Assistant Secretary for Administration to: (1) review major system development efforts to help ensure that efforts are successful; (2) address GAO principles, standards, and related requirements; (3) meet established time frames for completion; (4) develop minimum acceptable standards for system evaluation, and provide system reviewers with guidance on how to perform such evaluations and ensure their quality; and (5) sufficiently test accounting systems in operation to determine conformance with the Comptroller General's principles, standards, and related requirements.
Status: Action in process. Estimated completion date: 03/88.

Grain Shipments: Agriculture Can Reduce Costs by Increased Use of Negotiated Rail Rates

RCED-87-42, 01/21/87

Background

In response to a congressional request, GAO reviewed the methods that the Department of Agriculture's (USDA) Agricultural Stabilization and Conservation Service (ASCS) used to ship government grain by rail, specifically: (1) the extent to which USDA negotiated rate and service concessions with railroads, in comparison with private grain shippers and other government agencies; (2) savings that resulted from negotiations; (3) constraints that kept USDA from negotiating more often; and (4) methods private shippers and

government agencies used to increase their negotiating effectiveness.

Findings

GAO found that: (1) ASCS negotiated rate and service concessions for 10 percent of its 1985 rail grain shipments; (2) ASCS negotiated larger shipments more often because they provided railroads with greater incentive to negotiate; (3) the private sector negotiated rates for 57 percent of its shipments in mid-1985; (4) of the seven shipments GAO reviewed, ASCS saved an average of 29 percent over published tariff rates, while private sector shippers saved 17 percent; (5) although ASCS experienced negotiating constraints that included the inability to predict shipment volumes, lack of personnel, lack of bargaining leverage, lack of adequate notice of grain shipments, and lack of data on other shippers' contract rates, it could deal with these constraints through management actions; (6) in response to deregulation, private shippers strengthened their transportation planning systems to improve negotiating leverage, automated their development of traffic pattern information, rail rates, and carrier costs, and developed negotiating and marketing expertise; (7) ASCS negotiated shipments on a shipment-by-shipment basis, and did not automate transportation management functions, provide formal training to its transportation specialists, or use outside expertise to supplement staff skills; and (8) ASCS did not have a written policy to specify when its transportation specialists should negotiate or a system for tracking negotiations and monitoring its transportation specialists' performance.

Open Recommendations to Agencies

Recommendation: To increase the negotiating effectiveness of ASCS and to take better advantage of potential cost savings and service benefits, the Secretary, USDA, should direct the Administrator, ASCS, to develop a written policy setting forth ASCS goals and strategy for managing rail shipments in the current deregulated environment. The policy should: (1) include a plan for maximizing ASCS negotiating leverage, incorporating factors such as using business in competitive areas to achieve rate concessions in low-volume, noncompetitive areas, selecting grain elevators with storage and loading facilities suited to larger, multiple-car loading, and concentrating shipments among railroads to achieve optimum rates and service; and (2) incorporate criteria prescribing when negotiations should be pursued and providing guidance on how they should be conducted. Management should establish periodic performance goals, based on the policy.
Status: Action in process. Estimated completion date: 12/87. Rail transportation policy has been developed and is now with USDA top management for approval. This policy is expected to be in place in December 1987.

Recommendation: To help implement the new rail negotiation policy, the Secretary, USDA, should also require that the Administrator, ASCS, develop and enhance an automated management information system to provide information needed by transportation specialists to effectively negotiate rail rates. The system should include data on the ASCS traffic base, including the number of rail shipments, shipment origins and destinations, volume and cost of rail shipments, and number of negotiated and nonnegotiated shipments. This information should also be used to evaluate negotiating performance and monitor performance goals.
Status: Action not yet initiated. ASCS will complete a study on the need for an automated management system by December 31, 1987.

Recommendation: To help implement the new rail negotiation policy, the Secretary, USDA, should require that the Administrator, ASCS, develop and enhance ASCS negotiating expertise. Existing expertise should be enhanced by: (1) establishing a training program for ASCS transportation specialists to augment negotiating skills; and (2) determining what additional business-related expertise is needed and obtaining it through use of consultants and collaboration with private sector shippers.
Status: Action not yet initiated. The first round of training is to be completed by December 31, 1987.

Data Processing: USDA Needs To Better Manage Field-Office Computer Purchases

IMTEC-87-12, 02/20/87

Background

In response to a congressional request, GAO provided information on the acquisition and use of field-office computer systems by the Department of Agriculture's (USDA) Soil Conservation Service (SCS) and Farmers Home Administration (FmHA), specifically: (1) whether USDA, SCS, and FmHA are pursuing the feasibility of sharing computer resources for collocated field offices; (2) whether SCS and FmHA are pursuing the feasibility of using smaller, less expensive computers than originally planned for their field offices; (3) whether SCS is employing a cost-effective approach to acquiring applications software for its field-office computers; (4) what SCS has done to show whether field-office automation will improve service to farmers and other land users; and (5) the FmHA assessment of interfacing its field-office computers with states' automated lien systems.

Findings

GAO found that: (1) SCS and FmHA are considering conducting a sharing test, but will independently acquire computers for collocated offices; (2) SCS and FmHA are considering the use of smaller, less expensive computers for field offices not located in the same city; (3) SCS could save an estimated $13.7 million by acquiring smaller computers available under the current contract; (4) FmHA determined that the smaller computers available under the current contract could not meet its needs; (5) SCS is not cost-effectively acquiring applications software for its field-office computers, since it is allowing its state offices and other units to independently develop some software that could duplicate efforts; (6) SCS plans to evaluate the impact of field-office automation on improved service to farmers and other land users in the spring of 1987; and (7) FmHA has not determined whether its computer systems can interface with states' automated systems to determine whether the same equipment or crops are being used as collateral for more than one loan, but will evaluate this possibility after it installs all of its field-office systems.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct that SCS defer ordering computer systems for its field offices requiring a one-workstation system until it determines whether these offices can use smaller, less expensive microcomputers available under the contract.

Status: Action in process. Estimated completion date: 04/88. SCS is testing the software for the one-workstation system and deferred ordering the computer systems for the field offices. SCS intends to procure less expensive microcomputers for offices that require one computer workstation, but are not collocated with FmHA offices. SCS officials estimate cost savings of approximately $15 million.

Recommendation: The Secretary of Agriculture should direct that SCS prepare and implement a plan to evaluate the benefits attributable to field-office automation.

Status: Action in process. A pilot evaluation plan and associated cost/benefit study is being undertaken in the field offices. Justification for the field office automation is included in the 1989 budget submission to Congress.

Agricultural Research and Services

Improved Management of Import Meat Inspection Program Needed

RCED-83-81, 06/15/83

Background

GAO reviewed the Department of Agriculture's administration of its import Meat and Poultry Inspection Program.

Findings

GAO found that, at the 10 highest-volume ports, where variances in the quantities of meat rejected ranged from 0.1 to 1.5 percent, procedures for controlling, sampling, and inspecting meat products differed because of: (1) regulations and instructions which were generally outdated, unclear, and inconsistent; (2) a lack of adequate supervision and training of inspection personnel; and (3) work-load imbalance. The Automated Import Information System compiles inspection-result histories for countries and foreign plants. These histories are the basis for assigning the scope and extent of inspections. GAO found that, in some ways, regulations and instructions do not conform with the system's revised procedures. GAO and Food Safety and Inspection Service (FSIS) officials found that most inspectors cited the need for periodic training and better communication between inspectors from different ports as a way of standardizing inspections. Despite the apparent improvement in plant conditions, program changes are needed to better ensure that products are imported only from countries and plants meeting U.S. requirements. Recognizing the need for increased attention to foreign programs' regulatory comparability, FSIS is developing a new systems approach for approving and monitoring foreign inspection systems. GAO believes that the new system should improve FSIS ability to assess these risks.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct FSIS to develop criteria for distinguishing among minor, major, and critical defects in canned packaged meat products.
Status: Action in process. Estimated completion date: 01/91. FSIS is developing an automated data management system, which is expected to be operational in January 1991. According to FSIS, the system will include criteria which will be used in distinguishing among minor, major, and critical defects in canned packaged meat products.

Recommendation: The Secretary of Agriculture should direct FSIS to develop a more systematic and objective way of compiling the results of plant reviews, using a statistically selected sampling of plants as a basis for apprising management of the overall effectiveness of foreign inspection systems in ensuring compliance with U.S. requirements. Periodic reviews of plants outside the sample should be made at least annually for considering such factors as volume of exports and rejections at U.S. ports. Plants not exporting to the U.S. should not be reviewed.
Status: Action in process. Estimated completion date: 01/91. FSIS is developing an automated data management system, which is expected to be on line in January 1991. The system will incorporate the results of plant reviews.

Farm Income Stabilization

Farm Payments: Basic Changes Needed To Avoid Abuse of the $50,000 Payment Limit

RCED-87-176, 07/20/87

Background

GAO reviewed the: (1) Department of Agriculture's (USDA) administration of the $50,000 limit on direct agricultural support payments; and (2) impact on farm programs of individuals who reorganize their farming operations to qualify for additional payments.

Findings

GAO found that: (1) if the current trend in reorganizations continues through 1989, 31,300 additional persons could receive payments, which would increase total program costs by $2.3 billion; (2) USDA improperly approved 20 percent of the new recipients for program payments; (3) the USDA Inspector General's detailed review of 225 cases showed actual overpayments of $15.7 million from 1981 through 1986; (4) although USDA proposed changes that would eliminate most existing ways to avoid the payment limitation, the proposal did not include regulations and guidelines necessary to ensure proper implementation at the county office level; and (5) current Agricultural Stabilization and Conservation Service (ASCS) guidelines to county and state officials, training of those officials, and internal controls over their activities are not adequate.

Open Recommendations to Congress

Recommendation: Congress should enact legislation to limit payments to legal entities and attribute their payments to the individual limits of the entities' owners. The USDA proposal includes legislation that would remove the existing legislative restrictions on how corporations are treated for payment limitation purposes, and authorize ASCS to determine the payment limit for a legal entity on the basis of the number of its members actively engaged in its farming operations.
Status: Action in process.

Recommendation: If Congress decides not to adopt the legislation proposed by USDA, Congress should, at a minimum, remove the existing legislative restriction that requires a corporation to be considered as a separate person for payment limitation purposes as long as no stockholder owns or controls more than 50 percent of its stock, and the same two or more stockholders do not own more than 50 percent of two or more corporations. If left in place, this restriction will allow producers to continue to reorganize under the corporate rules in a manner that avoids the limit, and will prevent ASCS from making changes necessary to reduce avoidance of the payment limit.
Status: Action in process.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Administrator, ASCS, to make the following changes in the payment limitation provisions: (1) ensure that implementing regulations and guidance to its county offices specify the extent of contributions necessary to determine if a member of a legal entity is actively engaged in the entity's farming operation; (2) change its rules to limit payments through attribution to members of a legal entity who are not now persons for payment limitation purposes; and (3) change its rules to require that a person who leases land make a substantive contribution of owned land or equipment, and personal labor or active management, in addition to capital for the farming operation that includes leased land.
Status: Action not yet initiated. USDA is waiting to see if Congress enacts legislation before taking corrective action.

Recommendation: If Congress does not adopt the USDA legislative proposal, ASCS should be required to: (1) implement changes included in the USDA proposal to make the payment limitation rules for minor children, custom farming, and substantive change more restrictive; and (2) change its rules to require that a person in a lease situation, other than a landowner, make a substantive contribution of owned land or equipment, and personal labor or active management, in addition to capital.
Status: Action not yet initiated. USDA is waiting to see if Congress enacts legislation before taking corrective action.

Recommendation: The Secretary of Agriculture should also direct the Administrator, ASCS, to improve ASCS guidance to state and county offices by describing: (1) how much equipment or land must change ownership to justify the approval of a new person for payment limitation purposes; (2) how to value contributions by members of a joint operation to determine if those contributions are commensurate with their share of the payments; and (3) the type of information and documentation needed to apply specific rules and verify that farm operations were carried out as planned.
Status: Action not yet initiated. USDA is waiting to see if Congress enacts legislation before taking corrective action.

Recommendation: The Secretary of Agriculture should also direct the Administrator, ASCS, to revise the ASCS management review system so that reviewing officials select the determinations to be reviewed, analyze these determinations to identify the emerging trends in errors and methods of reorganization, and disseminate information about needed changes identified by this analysis on a systematic and continuing basis. ASCS headquarters officials should be responsible for disseminating the results of these analyses to ensure uniformity and consistency.
Status: Action not yet initiated. USDA is waiting to see if Congress enacts legislation before taking corrective action.

Recommendation: The Secretary of Agriculture should also direct the Administrator, ASCS, to establish a training program for ASCS state and county officials involved in person determinations that: (1) identifies who should be trained and how much training they should receive; (2) sets out an approach to making and reviewing person determinations; and (3) provides standardized training materials for use by state officials in training county officials.
Status: Action not yet initiated. USDA is waiting to see if Congress enacts legislation before taking corrective action.

Import-Export Issues

Transportation of Public Law 480 Commodities—Efforts Needed To Eliminate Unnecessary Costs

NSIAD-85-74, 06/18/85

Background

GAO assessed the Department of Agriculture's (USDA) and the Department of Transportation's (DOT) Maritime Administration's (MARAD) management of the expenditure of U.S. funds for ocean transportation of agricultural commodities pursuant to Public Law (P.L.) 83-480, title I. This law authorizes the President to enter into agreements with friendly countries for the sale of the commodities under favorable financing terms. Because the United States finances the sales, regulations require that at least 50 percent of the commodities be transported by privately owned U.S. flag vessels. GAO reviewed purchase authorizations exceeding $1 million and rate calculations for vessels transporting commodities under these authorizations.

Findings

GAO found significant problems that indicate that USDA may be paying higher ocean freight differentials than necessary. USDA control over the bidding and negotiation process for ocean transportation contracts is inadequate because foreign countries: (1) use closed bids which may be submitted late or are based on knowledge of submitted bids; (2) may negotiate with any preferred vessel owner, which does not ensure the lowest possible rates; and (3) may serve as vessel brokers, which can lead to favoritism in rate negotiations. USDA is responsible for complying with cargo preference requirements, approving foreign vessel selections, and calculating ocean freight differentials; however, it does not consistently follow the standard provision for calculating differentials, or may apply the standard in a manner that reduces costs to foreign countries at the expense of higher USDA payments. GAO also found that MARAD does not verify data used in calculating guideline rates because it assumes that vessels return to the United States without cargo. However, evidence suggests that vessels may carry cargo on the return voyage, which allows them the potential to earn excessive profits. Additionally,

MARAD has not prepared guidelines for liners because of the difficulty in separating revenues; therefore, it does not know whether transportation rates for liners represent cost plus a reasonable profit.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should require publicly opened transportation offers. The offered transportation rates must be firm and nonnegotiable, and awards should be consistent with open, competitive, and responsive bid procedures. USDA should provide an observer for transportation bid openings, as it does for commodity bids.
Status: Action not yet initiated. DOT issued a notice in the Federal Register of its final rule for determining fair and reasonable rates for shipments of dry bulk preference cargo on U.S. flag liners. The rates apply to less-than-full shiploads transported on or after July 1, 1988. USDA is working on a regulation to institute a system of open, competitive bidding for the transportation of cargo to selected recipient countries.

Recommendation: The Secretary of Agriculture should establish a clear policy to minimize USDA transportation expenditures consistent with cargo preference requirements.
Status: Recommendation valid/action not intended. USDA stated that its policy is to minimize the cost of providing both commodity and transportation financing, consistent with the purposes of the P.L. 83-480, title I program and the requirements of the Cargo Preference Act.

Recommendation: The Secretary of Agriculture should direct the Administrator, Foreign Agricultural Service (FAS), to revise and implement program regulations on the basis of this policy. FAS should emphasize cost reductions in the problem areas identified by GAO: (1) computation of ocean freight differentials; (2) allocation of cargo; (3) shipment on the basis of lowest landed cost; (4) requirement for demurrage and despatch; and (5) elimination of unnecessary restrictive tender terms.
Status: Action taken not fully responsive. In its comments and letter, September 11, 1985, USDA referred to changes made in purchase authorization requirements to address the cited problems. With respect to the identified problem areas, USDA has not indicated any intent to revise the program regulations. However, USDA is working on a change to institute an open, competitive system for transportation bids on shipments to selected countries.

Recommendation: The Secretary of Transportation should direct the Administrator, MARAD, to devise and institute a method for assessing whether transportation rates for liners represent cost plus a reasonable profit. Also, vessel owners should be required to have their independent accountants semiannually certify that vessel costs and operating data are accurate.
Status: Action in process. DOT: (1) requested that vessel owners provide a certified listing of actual costs of voyages; (2) established a final rule for calculating fair and reasonable rates for less-than-full shipload dry bulk cargoes transported on U.S. flag liners; and (3) is reviewing a proposed rule for calculating rates for full cargo shipments.

Recommendation: The Secretary of Agriculture should issue regulations requiring certification that nonliner U.S. flag vessels do not scrap or carry cargo on a return voyage. The regulations also should provide that the guideline rate will be recalculated and the transportation rate adjusted if a vessel obtains backhaul cargo or is scrapped or sold overseas.
Status: Action in process. DOT: (1) is finalizing a rule for full cargo shipments which provides for recalculation of rates if a vessel is scrapped or sold overseas; (2) intends to recalculate rates if returning U.S. vessels carry other preference cargo; (3) plans to analyze the feasibility of adjusting rates for commercial, nonpreference cargo; and (4) issued a final rule for calculating rates for dry bulk liner cargo.

Import-Export Issues

Imported Meat and Livestock: Chemical Residue Detection and the Issue of Labeling

RCED-87-142, 09/30/87

Background

GAO reviewed the Department of Agriculture's (USDA) effectiveness in detecting prohibited chemical residues and foreign matter in imported meat items and live animals.

Findings

GAO found that: (1) although the Food Safety and Inspection Service (FSIS) developed an annual plan in 1986, which included 406 chemicals for consideration and 100 for testing, it lacked detailed, current information on the chemicals used abroad; (2) FSIS plans to require foreign countries that want to export meat to the United States to submit an annual residue testing plan to USDA; (3) because FSIS met its 1986 testing quotas by May 1, 1986, it did not test meat imported after that date for the full range of residues; (4) FSIS did not always remove from the U.S. food market the remainder of lots that showed chemical violations; (5) in 1986, about 60 percent of imported live animals came from Mexico, which has been ineligible to export meat to the United States since 1984 because of chemical residues; (6) FSIS does not have current information on chemicals Mexico uses to adequately test animals; and (7) mandating quality control reports and country-of-origin labelling of meat could result in increased food costs and may constitute a nontariff trade barrier.

Open Recommendations to Agencies

Recommendation: To develop an import residue testing plan that is sensitive to conditions regarding chemical use in foreign countries, the Secretary of Agriculture should direct the Administrator, FSIS, to implement a continuous, systematic effort to identify and evaluate chemicals in use abroad that are not used in the United States.
Status: Action not yet initiated. The Department of Agriculture (USDA) has not had sufficient time to respond to this recommendation.

Recommendation: The Secretary of Agriculture should direct the Administrator, FSIS, to systematically assess the status of methods for detecting harmful chemicals in processed meat and muscle tissue to provide a basis for deciding on the additional research needed to develop more effective methods.
Status: Action not yet initiated. USDA has not had sufficient time to respond to this recommendation.

Recommendation: The Secretary of Agriculture should direct the Administrator, FSIS, to determine whether live animals entering the United States present unacceptable risk to consumers. Such a risk assessment should consider: (1) the source of live animals (country of origin and location within country); (2) livestock production and marketing practices in pertinent foreign countries, including controls over and use of animal drugs and other chemicals; (3) residue testing results from domestic plants where the imported animals are likely to have been slaughtered and whether those results are different from those at plants that do not slaughter imported animals; and (4) if appropriate, special test programs to determine whether imported animals have unacceptable chemical residues.
Status: Action not yet initiated. USDA has not had sufficient time to respond to this recommendation.

Recommendation: If such a risk assessment indicates an unacceptable risk for any country, FSIS should take steps to ban live animal imports from that country until the foreign government can provide assurance that animals for export to the United States are free of prohibited residues.
Status: Action not yet initiated. FSIS has not had sufficient time to respond to this recommendation.

Recommendation: If chemical use in foreign countries is identified, FSIS should: (1) evaluate the chemicals to determine which ones pose a potential hazard; (2) develop methods for their detection if methods are lacking; and (3) include them in the import plan for testing.
Status: Action not yet initiated. FSIS has not had sufficient time to respond to this recommendation.

Recommendation: The Secretary of Agriculture should direct the Administrator, FSIS, to update risk profiles of countries eligible to export

meat products to the United States to better ensure the safety of imported meat.	**Status:** Action not yet initiated. USDA has not had sufficient time to respond to this recommendation.

Computer Buys: Air Force Logistics Modernization Program Should Comply With Brooks Act

IMTEC-86-16, 05/15/86

Background

GAO reviewed the procedures the Air Force Logistics Command followed in procuring computer equipment and services for its Requirements Data Bank Program, which was designed to update automated logistics systems supporting Air Force activities.

Findings

GAO found that the Air Force is not complying with the Brooks Act, which requires federal agencies to procure computer equipment through the General Services Administration (GSA). The Air Force does not believe that the program and other components of its Logistics Management Systems Modernization Program are subject to the act's requirements because it believes that the programs are covered by an amendment to the Armed Services Procurement Act. That amendment exempts certain mission-critical, intelligence- or security-related equipment, and weapons systems from the Brooks Act. GAO believes that the amendment does not cover inventory control, storage depot, base-level, and other logistics systems. The Department of Defense (DOD) has issued guidance distinguishing between those logistics systems designed for administrative and business applications and those designed to meet mission-critical requirements. GAO also found that: (1) it had previously designated the Logistics Management Systems Modernization Program as subject to the Brooks Act; and (2) since the Requirements Data Bank Program is not involved in mission-critical or wartime decisionmaking activities, it is subject to the Brooks Act.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should revise the "DOD-Wide Guidance for Acquiring Mission Critical Computer Resources Under 10 U.S.C. 2315 (Armed Services Procurement Act)" to be more explicit in defining functional classifications and applications that are exempted by the Warner Amendment.
Status: Action not yet initiated. DOD sent an interim reply stating that its final reply was not fully formulated, but would be sent when complete.

Recommendation: The Secretary of Defense should direct the Secretary of the Air Force to submit an agency procurement request for the Requirements Data Bank Program to the Administrator of General Services. The Air Force should submit the request before carrying out the next contract option for additional computer equipment and services. For the other programs in the Air Force's Logistics Management Systems Modernization Program, the Secretary of Defense should direct the Secretary of the Air Force to submit an agency procurement request before taking any further procurement actions.
Status: Action not yet initiated. DOD sent an interim reply stating that its final reply was not fully formulated, but would be sent when complete.

Data Processing: SBA Needs To Strengthen Management of Its Computer Systems

IMTEC-86-28, 08/29/86

Background

In response to a congressional request, GAO reviewed the Small Business Administration's (SBA) automated systems and information resources management (IRM) activities to determine whether they: (1) assist its regional and district offices in carrying out SBA major programs; and (2) are adequate, appropriate, and effective.

Findings

GAO found that: (1) SBA did not systematically involve field offices in the design and development of six primary automated systems that supported major programs; (2) SBA did not have an ongoing review process for field users to identify and report system problems after systems became operational; and (3) certain systems produced inaccurate and untimely reports, did not provide access to some data in the central systems, or lacked information the field offices required to better manage SBA programs. GAO also found that SBA: (1) did not formalize its data processing planning or adequately include field-office users and top management in this process; (2) lacked contractor performance measures and cost controls in its data processing contracts; (3) supervised contractor personnel under 15 data processing contracts in fiscal year 1985, contrary to federal regulations; (4) acquired a minicomputer through unsound purchase practices and without sufficient procurement and legal staff review; and (5) did not have independent, internal reviews to ensure that systems were well-designed or were working properly.

Open Recommendations to Agencies

Recommendation: To make SBA automated systems more useful to program and field offices and to strengthen IRM activities, the Acting Administrator, SBA, should provide the Office of the Inspector General (OIG) with the resources needed to place more emphasis on reviews of IRM activities, including reviews of general and application controls of automated systems under development and in operation.

Status: Action in process. The Inspector General is currently reevaluating the utilization of existing audit resources and intends to provide greater coverage of SBA IRM activities. In addition, an announcement is in process to hire an additional ADP auditor.

ADP Acquisition: SEC Needs To Resolve Key Issues Before Proceeding With Its EDGAR System

IMTEC-87-2, 10/09/86

Background

In response to a congressional request, GAO evaluated the Securities and Exchange Commission's (SEC) Electronic Data Gathering, Analysis and Retrieval System (EDGAR) to determine whether SEC is ready to proceed with acquisition of an operational system.

Findings

Federal securities laws require companies to file an annual report that provides a comprehensive overview of the state of their businesses. EDGAR is designed to automate the filing, processing, and dissemination of these documents. Although SEC initiated a rulemaking process to obtain public comments on the proposed reporting requirements for filers, it will not complete the process until 1987, and will

not know the extent of filer opposition to and exemption from the requirements. SEC intends to recover the costs of developing and operating the receipt portion of the system from user fees. Federal law limits fees for furnishing information to no more than the cost of providing the information plus a reasonable contractor profit. GAO believes that SEC should not include its costs in fees to public users, but should finance them through appropriated funds, because financing through user fees would bypass intended congressional oversight and control. The SEC analysis did not include accurate hardware or software development estimates for expanding EDGAR to the operational system environment. In addition, SEC did not base its estimates of the quantitative benefits on economically feasible assumptions and did not demonstrate that the benefits outweigh the estimated costs. Although SEC believes that sufficient qualitative benefits would accrue to filers, investors, and itself, it did not describe how the benefits would accrue. GAO questions the advisability of proceeding with the implementation without the benefit of better cost estimates and benefits.

Open Recommendations to Congress

Recommendation: Congress should satisfy itself that SEC has adequately responded to the issues raised in this report before providing funding for the operational EDGAR system.
Status: Action in process.

System Integrity: Stronger Controls Needed for Customs' Automated Commercial System

IMTEC-87-10, 02/10/87

Background

GAO reviewed the U.S. Customs Service's Automated Commercial System (ACS) to determine if it had any weaknesses that could affect its integrity or reliability in helping Customs staff to identify and examine imports, collect duties, and supply the government with current import data.

Findings

GAO found no actual fraud, waste, or abuse involving ACS, but did identify several weaknesses in ACS internal controls and development procedures, including: (1) a lack of established controls to prevent employees from unwarranted access to ACS functions beyond those necessary to perform their assigned jobs; (2) inadequate documentation of the operational interrelationships among the 15 ACS modules, which could cause delays or errors during ACS maintenance or modification, especially if any of the key managers were unavailable; and (3) a lack of adequate test plans, increasing the risk that the ACS software will contain serious errors. GAO believes that, as ACS becomes more complex, the possibility will increase that fraud, delays, or errors resulting from these weaknesses could compromise Customs' enforcement and collection efforts.

Open Recommendations to Agencies

Recommendation: The Commissioner of Customs should establish and implement procedures to ensure that employees' functional access to ACS is limited to only those functions to which they need access to perform their assigned duties.
Status: Action in process. Estimated completion date: 03/88. Customs is reprogramming security administration functions in order to delegate to the district level where best control can be exercised.

Recommendation: The Commissioner of Customs should document how ACS various modules or functional areas interrelate.
Status: Action in process. Estimated completion date: 03/88. The Director, Business Systems Division, plans to identify deficiencies and take action to close holes.

ADP Systems: SSA's Modernization Efforts Need Redirection

IMTEC-87-16, 04/10/87

Background

In response to a congressional request, GAO reviewed the Social Security Administration's (SSA) Systems Modernization Plan to: (1) determine if SSA should redirect or cancel it; and (2) assess SSA claims that automation improvements could reduce staff.

Findings

GAO found that: (1) although SSA has made some improvements in its acquisition of computer equipment and expansion of the data communications network, it has not met its objectives of modernizing its software and implementing an integrated data base; (2) SSA modernized its systems without developing a long-range plan; (3) SSA failed to follow the established plan for technical strategies or adequately test system performance; (4) previous modernization attempts were unsuccessful because of inadequate planning and management of systems activities, as well as staffing deficiencies; (5) the current plan does not adequately address systems deficiencies or methods for correcting those deficiencies; and (6) the planned SSA staff reduction of over 5,000 positions was delayed, and the extent of reduction attributable to the automated effort is uncertain.

Open Recommendations to Congress

Recommendation: Congress should consider limiting SSA future automatic data processing (ADP) appropriations to the maintenance and operation of its current systems and only those critical modernization and improvement initiatives identified in its revised Systems Modernization Plan. These limitations should remain in effect until SSA has demonstrated its ability to complete software redesign, has determined its system configuration requirements, and has had its revised plan reviewed by appropriate committees of Congress.
Status: Action in process.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should require the Commissioner of Social Security to redirect SSA systems modernization activities, while completing its long-range operational plan. In redirecting its modernization effort, SSA should revise its Systems Modernization Plan to: (1) define and prioritize system deficiencies; and (2) identify methods for correcting these deficiencies.
Status: Action in process. The Commissioner of Social Security announced that SSA was in the process of defining and prioritizing system deficiences.

Recommendation: The Secretary of Health and Human Services should require the Commissioner of Social Security to redirect SSA systems modernization activities, while completing its long-range operational plan. In redirecting its modernization effort, SSA should, on the basis of this revised plan, reduce the scope of the modernization effort to address the most critical system deficiencies, emphasizing software redesign. SSA should use this focused effort to demonstrate its ability to complete software redesign and to determine requirements for the total hardware and software configuration.
Status: Action in process. SSA announced its intention to refocus the modernization effort to address critical system deficiencies and place renewed emphasis on software redesign.

Recommendation: The Secretary of Health and Human Services should require the Commissioner of Social Security to redirect SSA systems modernization activities, while completing its long-range operational plan. In redirecting its modernization effort, SSA should complete sufficient detailed documentation of the existing systems to support software redesign.
Status: Action in process. SSA is revising its modernization plan and attempting to improve documentation of its existing software.

Recommendation: The Secretary of Health and Human Services should require the Commissioner of Social Security to redirect SSA systems modernization activities, while completing its long-range operational plan. In redirecting its modernization effort, SSA should adjust hardware procurement plans to reflect the actual

needs of the agency based on the modernization effort's reduced scope.
Status: Action in process. As part of its ongoing revisions to the modernization program, SSA adjusted its hardware procurement plans by cancelling one large computer acquisition and delaying the acquisition of optional terminals and data communications equipment.

Air Force Computers: Development Risks of Logistics Modernization Program Can Be Reduced

IMTEC-87-19, 05/15/87

Background

In response to a congressional request, GAO reviewed the Department of the Air Force's Logistics Management Systems (LMS) Modernization Program and the acquisition strategy it used in procuring the program.

Findings

GAO found that the Air Force: (1) reduced the risk of overall developmental problems because the program is smaller in scope and less complex than an earlier system; (2) did not complete its initial planning activities, which increased the potential for cost increases, schedule delays, and ineffective performance; (3) does not have an effective method to ensure the accurate measurement of project costs, schedules, and performance status; (4) approved eight of the nine projects without feasibility studies; (5) did not regularly validate contractor cost and schedule performance reports; and (6) should have requested delegations of procurement authority in order to avoid possible future program delays. GAO believes that, although the Air Force has taken actions on some projects to alleviate planning weaknesses, project costs may greatly exceed current estimates unless it institutes controls over contractor status reporting and system effectiveness.

Open Recommendations to Agencies

Recommendation: The Secretary of the Air Force should direct the Commander of the Air Force Logistics Command (AFLC) to precisely define the existing problems in AFLC operations and document how AFLC will ensure that the system being developed will correct these deficiencies to meet mission requirements. Deficiencies and user needs should be expeditiously defined for the seven development projects already under contract and defined for the remaining two projects prior to awarding any contracts. Feasible alternatives should also be identified and fully evaluated prior to awarding contracts for these two projects. Specifically, the Air Force Systems Command's Acquisition Mangement Information System should be fully assessed as an alternative to developing the new Contract Data Management System being proposed by AFLC.
Status: Action in process. The Air Force initiated discussions with the Air Force Audit Agency regarding a series of studies designed to identify program benefits, define measurement criteria, develop tracking mechanisms, and establish procedures to formalize this process for all nine LMS projects.

Recommendation: The Secretary of the Air Force should direct the Commander, AFLC, to clearly define expected benefits and establish specific criteria to measure achievement of those benefits. The Air Force should identify specific budget line items where logistics support savings or precise readiness improvements, or both, will result. It should establish system effectiveness criteria and measurement methods in an evaluation plan during early system development. This plan should provide direction and guidance to development contractors and should be used by the Air Force project managers to evaluate contractor performance and to ensure that benefits are being achieved.
Status: Action in process. The Major Automated Information System Review Council has instructed the Air Force to develop clearer statements of expected benefits and a tracking mechanism to assist it in determining future resource requirements, such as reduced personnel costs due to increased productivity.

Recommendation: The Secretary of the Air Force should direct the Commander, AFLC, to establish cost and schedule tracking mechanisms which accurately reflect contractor performance and, as a

control mechanism, routinely validate the reliability of this information. When established cost and schedule thresholds have been exceeded, the Secretary of the Air Force should report changes in individual project cost and schedule estimates resulting from these validation efforts to the Secretary of Defense and Congress.

Status: Action in process. The Air Force expanded its validation reviews of all nine LMS projects. In addition, it has requested independent cost estimates of the Requirements Data Bank program, one of the largest LMS projects.

Trademark ADP System: Patent Office Should Analyze Alternatives Before Contract Award

IMTEC-87-44, 08/27/87

Background

Pursuant to a congressional request, GAO reviewed the need and justification for the Department of Commerce's Patent and Trademark Office's (PTO) procurement of replacement hardware and software for its automated trademark system.

Findings

GAO found that: (1) PTO did not compare alternatives before deciding to continue with its revised procurement strategy of relieving immediate capacity problems only; (2) computer response times and availability were not the cause of work-load backlogs; (3) PTO did not take action such as work-load levelling to improve response time; (4) PTO lacks an adequate computer capacity management program; and (5) the system's short-term disk storage capacity was sufficient for another year.

Open Recommendations to Agencies

Recommendation: The Secretary of Commerce should require the Commissioner of Patents and Trademarks to establish a computer capacity planning and performance management program to better ensure efficient and effective use of PTO automatic data processing resources and to help avoid future performance problems such as those experienced with the Burroughs-7700 computer system.

Status: Action in process. Estimated completion date: 08/88.

Federal Financing Bank

Financial Audit: Federal Financing Bank's Financial Statements for Fiscal Years 1985 and 1984

AFMD-87-31, 09/30/87

Background

GAO examined the Federal Financing Bank's financial statements as of September 30, 1985 and 1984, its system of internal accounting controls, the related statements of income and changes in retained earnings, and the changes in its financial position for the years then ended.

Findings

GAO found that the bank: (1) had significant weaknesses in its internal accounting control system; (2) did not have adequate safeguards for its assets, properly recorded transactions, or reliable financial reporting; and (3) did not have the formal accounting policies and procedures manuals to maintain correct records for its business activities. GAO also found that the financial statements presented fairly the bank's financial position as of September 30, 1985 and 1984, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Open Recommendations to Agencies

Recommendation: The Secretary of the Treasury should direct the Bank's president, the Treasury Under Secretary for Finance, to: (1) develop formal accounting policies and procedures manuals, including examples of typical accounting entries for loan transactions.
Status: Action not yet initiated. Treasury has not had sufficient time to respond to the recommendation.

Recommendation: The Secretary of the Treasury should direct the Bank's president, the Treasury Under Secretary for Finance, to maintain the general ledger and subsidiary ledgers on a routine basis and perform periodic reconcilitations of the ledgers.
Status: Action not yet initiated. Treasury has not had sufficient time to respond to this recommendation.

Recommendation: The Secretary of the Treasury should direct the Bank's president, the Treasury Under Secretary for Finance, to perform periodic reconciliations of cash between the bank's general ledger and the reports from Treasury.
Status: Action not yet initiated. Treasury has not had sufficient time to respond to this recommendation.

Recommendation: The Secretary of the Treasury should direct the Bank's president, the Treasury Under Secretary for Finance, to review and reconcile external reports, particularly Treasury reports on the loan accounts.
Status: Action not yet initiated. Treasury has not had sufficient time to respond to this recommendation.

Recommendation: The Secretary of the Treasury should direct the Bank's president, the Treasury Under Secretary for Finance, to record transactions properly and consistently.
Status: Action not yet initiated. Treasury has not had sufficient time to respond to this recommendation.

Other Advancement of Commerce

SEC's Efforts To Find Lost and Stolen Securities

GGD-84-42, 05/18/84

Background

The Securities and Exchange Commission (SEC) maintains a program to find securities, such as stocks and bonds, that financial institutions and their customers report as lost or missing. GAO reviewed the SEC program to determine its effectiveness in finding such securities.

Findings

SEC requires financial institutions to register under the program. Registration entitles institutions to report lost or stolen securities and check securities they receive in commercial transactions. GAO found that: (1) the number of securities recovered through the program has increased since its inception, but SEC has not accurately reported the dollar value of securities actually found through the program; and (2) SEC has exempted from the program securities that do not have industry identification numbers, and certain securities that were formerly reported to Federal Reserve Banks are no longer reported to either the Federal Reserve or SEC. GAO also found that: (1) financial institutions are not complying with reporting requirements under the program; and (2) SEC has not coordinated its program with the National Crime Information Center (NCIC), which also lists lost and stolen securities.

Open Recommendations to Agencies

Recommendation: As an initial step toward improving the program's capability to find lost and stolen securities, the Chairman, SEC, should require that lost or stolen securities formerly required to be reported to the Federal Reserve Banks be reported to the SEC program.
Status: Action in process. Estimated completion date: 03/88. The SEC proposed amendments to Rule 17f-1 are expected to be adopted in the spring of 1988. When the amendments are adopted, this recommendation will be fully implemented.

Recommendation: As an initial step toward improving the program's capability to find lost and stolen securities, the Chairman, SEC, should assess the effect of the underreporting of lost and stolen securities without a securities industry identification number and, if warranted, direct the program operator to assign identification numbers to these securities.
Status: Action in process. Estimated completion date: 03/88. SEC, on a pilot basis, is allowing participants to report and inquire about non-CUSIP securities on a voluntary basis. Proposed amendments to Rule 17f-1 will require mandatory reporting and inquiries. A decision has not been made.

Recommendation: As an initial step toward improving the program's capability to find lost and stolen securities, the Chairman, SEC, should develop a pilot program to assess whether the $10,000-or-less transaction exemption should be continued, weighing the regulatory compliance burden against the improvement in securities found for financial institution customers, as well as the decreased deterrent effects.
Status: Action in process. Estimated completion date: 03/88. SEC requested public comments on its proposed changes to the program that would incorporate many of the GAO recommendations. Based on comments received from the public and the industry, SEC is considering retaining the $10,000 transaction exemption. Commentators thought the associated costs and benefits did not warrant changing the exemption.

Other Advancement of Commerce

ADP Acquisitions: Patent Automation Encountering Major Planning and Procurement Problems

IMTEC-86-19, 07/17/86

Background

Pursuant to a congressional request, GAO reviewed selected aspects of the Department of Commerce's Patent and Trademark Office (PTO) Automated Patent System.

Findings

GAO found that: (1) Commerce did not adequately oversee the program during the planning stage and spent millions of dollars with little assurance that it was implementing the best alternative for operational improvements or that benefits were exceeding costs; (2) since PTO has not completed the required space management study, the final system configuration remains uncertain and PTO cannot reliably estimate the cost, schedule, and ultimate system capabilities; (3) Commerce awarded a cost-plus-fixed-fee contract for the system's design, development, implementation and maintenance, which was inappropriate and inconsistent with federal regulations because it contained few contractor cost-control incentives; (4) since PTO altered the implementation plans without making corresponding changes in the prime contract, it did not have an accurate basis to judge contractor performance; and (5) Commerce and PTO decided not to establish needed agency oversight at the contractor's facility to monitor the contract, despite recent reports of accounting system problems, contract costs escalating from $159 million to $448 million, and actual schedule slippage. GAO believes that the method PTO is using to automate patent activities has serious weaknesses that increase the risk of acquiring a system that will not efficiently achieve automation goals.

Open Recommendations to Agencies

Recommendation: In reassessing this program, the Secretary of Commerce should follow applicable federal guidance, including the Federal Information Resources Management Regulation and, at a minimum, should: (1) establish management controls and quantifiable measures to gauge program effectiveness; (2) identify and develop alternatives for meeting PTO program objectives with a comparative analysis that can be used to select the most cost-effective alternative; (3) thoroughly support and document all appropriate costs and benefits associated with each alternative, as indicated by Federal Information Processing Standards Publication 64; and (4) ensure that an appropriate space management analysis is adequately and expeditiously implemented.
Status: Action in process. Commerce is in the process of reassessing and evaluating the system and its test bed, due to be completed by June 30, 1988.

Recommendation: To help ensure that the reassessment is appropriately conducted, the Secretary of Commerce should assign responsibility for the reassessment to the Assistant Secretary for Administration, the designated senior department official for information resources management. Furthermore, this official should use the National Bureau of Standards (NBS) and obtain other independent reviews as necessary to ensure that: (1) the reassessment is properly conducted and that the system includes only components with acceptable risk of cost-effective implementation; and (2) other critical issues, such as a thorough test of all critical components, are appropriately addressed.
Status: Action in process. The current reassessment process is ongoing under the direction of the Assistant Secretary for Administration. Members of the Review Board include officials from NBS, the Office of Management and Budget, and the Congressional Research Service. Reassessment is scheduled for completion by June 30, 1988.

Recommendation: Because of Congress' initial mandate for an automation plan and the magnitude of the planned expenditures, the Secretary should report on the results of the reassessment and on planned actions to the House Committee on Government Operations, the Senate Committee on Governmental Affairs, and the House and Senate Committees on the Judiciary and Appropriations before he acts on the reassessment.
Status: Action in process. Commerce's actions are not fully responsive because the reassessment is not yet complete and no report has been given to Congress. Some action, such as the delay of full deployment, has already been taken

because of the reassessment.
Reassessment should be completed by June 30, 1988.

Other Advancement of Commerce

International Trade: Trade Law Remedies Under Floating Exchange Rates

NSIAD-87-14, 12/16/86

Background

In response to a congressional request, GAO provided information on the floating exchange rate regime's compatibility with the international trading system's principles and U.S. trade laws to determine: (1) how exchange rate fluctuations can affect import relief the Trade Act of 1974 grants under section 201; (2) whether exchange rate changes alter the findings and the protection of the antidumping and countervailing duty laws; and (3) whether General Agreement on Tariffs and Trade (GATT) goals, principles, and remedies are compatible with a system of floating exchange rates.

Findings

GAO found that: (1) exchange rates influence the effectiveness of tariffs in protecting domestic industries; (2) if the dollar appreciates relative to other currencies after imposition of a tariff, the domestic industries' protection would diminish; (3) when exchange rate changes impair the ability of tariffs to protect industries that have obtained relief under the Trade Act's provision, they create substantive problems in achieving the law's objectives; (4) quantitative restrictions on imports impose considerable economic costs on the country seeking to limit imports; and (5) GATT favors tariff protection, rather than quantitative restrictions, since tariffs create less trade distortion, are less burdensome, and are a less ambiguous form of protection.

Open Recommendations to Agencies

Recommendation: The Secretary of the Treasury should direct the Treasury to experiment with auctions in selected section 201 cases and evaluate their effectiveness, administrative feasibility, and potential for wider application. Treasury should have primary responsibility for these auctions, since it has experience in auctioning government securities and the auction would be a source of government revenue. Treasury should coordinate its actions with other government agencies involved in section 201 cases.
Status: Action not yet initiated. No cases have been filed under section 201 since this recommendation was made, so there has been no opportunity to implement this recommendation.

Community and Regional Development

Community Development

Increasing HUD Effectiveness Through Improved Management

RCED-84-9, 01/10/84

Background

GAO evaluated management effectiveness at the Department of Housing and Urban Development (HUD) with the intention of identifying and analyzing management problems. GAO focused on management's performance in: (1) organizing and directing HUD; (2) planning activities and determining resource allocations; (3) executing program delivery; and (4) providing management control.

Findings

GAO found that HUD has many complex and long-standing problems and needs to: (1) improve organizational stability; (2) increase emphasis on, and accountability for, general management functions; and (3) establish continuity in HUD top management. GAO believes that HUD reliance on the budget process to direct and control HUD activity has not been an effective substitute for needed management systems.
Weaknesses in the analytical base used to support the HUD budget and to monitor and analyze program activity have hampered analysis and oversight by Congress and others. Consistent problems have affected program delivery, and HUD has not fully addressed the causes of financial management problems, including inadequacies in long-range planning and the absence of a chief financial officer. In addition, HUD management information systems did not provide timely and accurate data, which were necessary to establish control over HUD programs. GAO also found that accounting systems were not adequately automated and many automated accounting systems were obsolete.

Open Recommendations to Agencies

Recommendation: To improve staff resources over the long term, the Secretary, HUD, should establish a staff development program linked to overall organizational planning, which will coordinate departmental efforts to forecast personnel needs.
Status: Action in process. In housing, the largest HUD program area, a study was completed which inventoried the skills of housing field staff as to how well they met present and future needs. HUD plans to expand this kind of analysis to other program areas. GAO plans to comprehensively examine HUD responsiveness to the GAO report during FY 1988.

Recommendation: To improve staff resources over the long term, the Secretary, HUD, should integrate staff needs assessments with program implementation plans.
Status: Action in process. In housing, the largest HUD program area, a study was completed which inventoried the skills of housing field staff as to how well they met present and future needs. HUD plans to expand this kind of analysis to other program areas. Training needs are assessed annually and updated on a quarterly basis. GAO plans to comprehensively examine HUD responsiveness to the GAO report during FY 1988.

Recommendation: For the short range, the Secretary, HUD, should correct internal control weaknesses and other financial management information system problems identified during this review by ensuring that: (1) the single-family premium collection system and the process for handling cash receipts and disbursements include adequate internal controls; (2) collections are placed under immediate accounting controls; (3) sound cash management practices are followed in handling receipts and disbursements; and (4) the home improvement loan collection process is streamlined as part of the current automation effort.
Status: Action in process. The HUD internal control system is now in place and, according to HUD, operating smoothly. HUD is taking steps to correct internal control weaknesses as they are identified during A-123 studies. GAO plans to comprehensively examine HUD responsiveness to the GAO report during FY 1988.

Recommendation: For the long range, the Secretary, HUD, should continue efforts to restore integrity to the Department's financial management information systems by enhancing system internal controls.
Status: Action in process. According to HUD, improvements to its internal control systems are made on a continuing basis. Training needs are assessed annually.

Recommendation: For the long range, the Secretary, HUD, should streamline the processes used to accomplish accounting functions.
Status: Action in process. The HUD internal control system is now in place and, according to the Office of Management and Budget, is one of the leaders in A-123 implementation in the federal government. HUD is continuing to improve its accounting systems. Training needs are assessed annually.

Recommendation: For the long range, the Secretary, HUD, should develop accounting systems which comply with the principles and standards established by the Comptroller General. The objective of this development process should be to establish accounting systems capable of providing timely, accurate, and comprehensive information and serving as a basis for reporting on the adequacy of internal controls as required by FIA.
Status: Action in process. HUD believes that it has made substantial progress in improving and automating its accounting operations and that improving accounting operations is a continuing activity. Training needs are assessed annually.

Recommendation: For the long range, the Secretary, HUD, should enhance financial management information system improvements and future automation by establishing a long-range automatic data processing (ADP) planning and control process.
Status: Action in process. HUD believes it has made substantial progress in improving and automating its accounting operations and that improving accounting operations is a continuing activity. Training needs are assessed annually.

Recommendation: As part of the long-range ADP planning and control process, the Secretary, HUD, should ensure that existing and proposed automated systems are necessary, feasible, and cost-effective, and that those systems which cannot perform their intended purpose in a cost-effective manner are discontinued.
Status: Action in process. HUD believes that it has made substantial progress in improving and automating its accounting operations. HUD also believes that improving accounting operations is a continuing activity, and it is in the process of reviewing all of its systems. Those not needed are to be eliminated. Training needs are assessed annually.

Recommendation: As part of the long-range ADP planning and control process, the Secretary, HUD, should ensure that user needs and administrative burdens are adequately considered during system development.
Status: Action in process. HUD believes that it has made substantial progress in improving and automating its accounting operations and that improving accounting operations is a continuing activity. Training needs are assessed annually.

Recommendation: As part of the long-range ADP planning and control process, the Secretary, HUD, should ensure that efforts to develop modern automated systems are continued.
Status: Action in process. HUD believes that it has made substantial progress in improving and automating its accounting operations and that improving accounting operations is a continuing activity. Training needs are assessed annually.

Community Development

Rural Rental Housing: Cost Information on FmHA's Section 515 Program and Other Housing Options

RCED-87-96, 08/18/87

Background

In response to a congressional request, GAO reviewed the Farmers Home Administration (FmHA) section 515 rural rental housing program to: (1) identify whom the program serves and where it provides housing; (2) assess ways to reduce program costs; (3) compare program costs with costs of other federal housing subsidy options; and (4) identify state programs that provide housing assistance in rural areas.

Findings

GAO noted that: (1) the section 515 program subsidizes housing loans to developers who are otherwise unable to obtain credit terms and conditions that would permit them to charge affordable rents; (2) the FmHA section 502 program

provides loans to low-income rural households to purchase single-family homes; and (3) housing voucher programs provide cash subsidies to urban and rural households to help them rent adequate housing. GAO found that: (1) the section 515 program is benefiting mostly very-low-income households in rural areas, almost half of which pay reduced rents after moving into section 515 apartments; (2) measures to reduce section 515 program costs include reducing the size of apartments, eliminating such features as balconies, sliding glass doors, and excessive paving, and increasing the number of units constructed per acre; (3) in general, the section 515 program is the least expensive way to serve very-low-income families, although vouchers become the least expensive option as household incomes rise; and (4) only five states have programs that specifically target low-income households in rural areas.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Administrator, FmHA, to finalize and implement regulations for reducing section 515 project costs. These regulations should include: (1) reducing housing size; (2) using less costly apartment styles and building materials; (3) eliminating extra features, such as sliding doors, balconies, patios, community rooms, unnecessary paving, and excessive landscaping; (4) reusing building designs; and (5) increasing density.
Status: Action in process. FmHA expects to finalize regulations by January 1, 1988.

Disaster Relief and Insurance

National Flood Insurance Program: Major Changes Needed if It Is To Operate Without a Federal Subsidy

RCED-83-53, 01/03/83

Background

Pursuant to a congressional request, GAO examined: (1) how the Federal Emergency Management Agency (FEMA) establishes rates for the National Flood Insurance Program (NFIP); (2) whether it is possible to eliminate the federal subsidy and make the program self-sustaining; and (3) whether the flood insurance revolving fund is an appropriate mechanism for financing the program.

Findings

GAO found that NFIP has not collected sufficient premiums to cover the cost of providing the insurance to about 1.9 million policyholders living in flood-prone areas. To compensate for the inadequate premium income, the FEMA Federal Insurance Administration borrowed a total of $854 million from the Treasury between 1970 and 1980. Except where FEMA provides an intentional subsidy, flood insurance policyholders are required to pay insurance rates which are set in accordance with accepted actuarial principles. FEMA has relied on a combination of models and judgment to set the insurance rates, and methodological and data weaknesses in this approach have produced an overly complex rate structure that has not generated sufficient income to cover the costs of providing insurance or to build up a reserve. FEMA is currently attempting to eliminate the federal subsidy by fiscal year 1988. When Congress established the flood insurance revolving fund, it expected the program to be run as a joint government-insurance industry operation. However, after a series of disagreements in 1978, the government terminated the insurance industry's involvement and took over the program.

Open Recommendations to Agencies

Recommendation: To develop a risk premium rate structure, which produces adequate premium income and is in line with accepted actuarial principles, the Director, FEMA, should estimate and establish a catastrophic reserve.
Status: Action in process. This action has been initiated and FEMA plans to complete initial work about February 1988 on a legislative proposal for a catastrophic reserve.

Disaster Relief and Insurance

Crop Insurance: Federal Crop Insurance Corporation Needs To Improve Decision-Making

RCED-87-77, 07/23/87

Background

In response to a congressional request, GAO reviewed the Federal Crop Insurance Corporation's (FCIC) financial viability and operations to determine whether it based key management decisions on complete and accurate data, specifically those decisions affecting: (1) forecasts of income and indemnities FCIC used in budget requests; (2) a proposal to rely on reinsurance rather than both reinsurance and direct insurance; (3) rates of payments to, and gains and losses shared with, private companies selling crop insurance; and (4) actions to improve the Federal Crop Insurance Program's actuarial soundness.

Findings

GAO found that: (1) FCIC reliance on judgmental decisions and program goals to support its forecasts of premium income and indemnities, rather than program experience, has produced unreliable forecasts in its annual budgets; (2) although FCIC initially forecast premium income of $700 million for 1987, its income never exceeded $440 million; (3) FCIC analyses supporting its proposal to terminate master marketer sales and to rely on reinsurance were neither accurate nor complete, since they did not determine the impact on expanding insurance availability to farmers or the program's actuarial soundness; (4) because it relied on prior-year compensation levels to develop the 1986 percent-of-premium rate for compensating reinsured companies, FCIC established rates that were above its own costs; (5) FCIC agreed to new gain- and loss-sharing provisions with reinsured companies even though it had data showing that prior revisions had tilted the sharing of gains and losses in the companies' favor; and (6) the new revisions will be substantially more costly and will adversely affect FCIC ability to establish a reserve for unforeseen losses. GAO also found that FCIC had adequate bases for the actions it took to: (1) develop a computerized model to establish the premium rates it charges farmers for six major crops; and (2) base the development of insurance offers on farmers' actual production histories rather than the average production of all farmers in designated areas.

Open Recommendations to Congress

Recommendation: In view of congressional concern over the administration's move toward an all-reinsurance program, Congress should consider what the proper balance of sales to be handled through reinsured companies and master marketers should be and, if necessary, amend the Federal Crop Insurance Act of 1980 to specify the system or systems FCIC should use to deliver crop insurance to farmers.
Status: Action not yet initiated.

Recommendation: Congress should consider the actions taken by FCIC which continue to tilt the sharing of gains and losses in favor of the reinsured companies and, if necessary, amend the Federal Crop Insurance Act of 1980 to provide more specific guidance on how FCIC and reinsured companies should share in gains and losses.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Manager, FCIC, to either: (1) base reinsured companies' compensation rates on the costs FCIC covers on the insurance policies it sells directly to farmers, as required by section 508(e) of the Federal Crop Insurance Act of 1980; or (2) propose legislation to amend the act to allow FCIC to continue to establish the compensation rates through negotiations with the reinsured companies.
Status: Recommendation valid/action not intended. FCIC disagreed with this recommendation. No action is intended.

Recommendation: The Secretary of Agriculture should direct the Board of Directors and Managers, FCIC, to either: (1) revise subsequent reinsurance agreements by deleting the provision requiring FCIC to reimburse the reinsured companies for state premium taxes; or (2) propose legislation authorizing FCIC to reimburse reinsured companies for such taxes.
Status: Recommendation valid/action not intended. FCIC does not plan to act on this recommendation.

Education, Training, Employment, and Social Services

Elementary, Secondary, and Vocational Education

Implementation of Public Law 94-142 as It Relates to Handicapped Delinquents in the District of Columbia

GGD-86-4, 10/17/85

Background

Pursuant to a congressional request, GAO reviewed the District of Columbia's (D.C.) implementation of the Education for All Handicapped Children Act of 1975, which pertains to learning-disabled and emotionally disturbed juvenile delinquents and requires that education and services for handicapped children be delineated in individualized education programs (IEP).

Findings

GAO found that D.C. is not meeting its commitments under the act because: (1) many handicapped delinquents are not given opportunities for special education; (2) IEP do not meet all the requirements of the act; and (3) most handicapped delinquents in Youth Services Administration (YSA) custody do not receive special education. In order to be in compliance, IEP must contain certain educational and procedural requirements against which to monitor juvenile education and guardian participation in IEP. About 73 percent of IEP are missing these requirements. The "Mills Decree" court decision also requires that assessment, IEP development, and placement of handicapped juveniles be completed within a maximum of 60 calendar days from the date of referral; however, the central facility which performs these assessments averages 117 days. Three YSA facilities do not provide special education to handicapped delinquents and none of the teachers are certified to teach any subject. In addition, these facilities have no criteria and do not follow public school standards for determining which delinquents are handicapped. GAO also found that, although the D.C. Public Schools (DCPS) are required to monitor program effectiveness, they are not adequately reporting problems or corrective actions for the facilities. GAO believes that there is no focal point for coordination and information exchange among DCPS, the D.C. Superior Court, and YSA for identifying and educating delinquents.

Open Recommendations to Agencies

Recommendation: The Board of Education should direct the Superintendent, DCPS, to ensure that appropriate contracted residential facilities are selected as placements for handicapped delinquents. The Public Schools should ascertain what programs are available at residential facilities with which D.C. contracts, notify the D.C. Superior Court of the type of delinquent each facility is capable of serving, and periodically ascertain whether the programs have changed.
Status: Action taken not fully responsive. There is nothing to indicate that the schools intend to continue forwarding information to the courts regarding program changes at residential facilities.

Recommendation: The Mayor of the District of Columbia should direct YSA to establish a special education program for handicapped delinquents at Oak Hill, Cedar Knoll, and the Receiving Home for Children.
Status: Action in process. A special education program was implemented at the Receiving Home for Children, which is operated by DCPS. Per signed agreement, the special education program at Oak Hill and Cedar Knoll will be operated by YSA under a plan that is being reviewed by DCPS. Mental health services are being provided by a contractor, and DCPS has designated one of its officials to act as the YSA Education Director.

Elementary, Secondary, and Vocational Education

DOD Schools: Funding and Operating Alternatives for Education of Dependents

HRD-87-16, 12/10/86

Background

In accordance with a legislative requirement, GAO reviewed the methods the Department of Defense (DOD) uses to operate and fund its dependents' schools to: (1) determine the most suitable means of funding those schools; and (2) identify legal, jurisdictional, and other impediments to changing the schools funding and operating methods.

Findings

GAO noted that DOD uses three methods to educate military dependents living on military installations, including: (1) the local operation alternative, under which funding comes from federal, state, and local governments; (2) the contract operation alternative, which allows DOD to contract with local school districts and totally fund the students' education; and (3) the coterminous operation, under which dependents' schools operate as local school districts and the Department of Education and the state share the funding. GAO found that coterminous operation was the best alternative because it would save the federal government between $44 and $88 million and would increase states' education budgets by less than one-half of 1 percent. GAO noted that, at each installation, DOD and the state education agency: (1) should negotiate the change in school funding and operating methods; (2) might arrive at an alternative more appropriate than coterminous operation; and (3) should consider and resolve employee equity issues, as well as jurisdictional and other impediments. GAO also found that: (1) transferring military dependents' schools to local school districts or establishing new coterminous districts would cause an annual reallocation of impact aid funds from other impacted districts; and (2) under the coterminous method, military school districts would receive more funds because states cannot consider federal impact aid payments when determining their funding of local school districts.

Open Recommendations to Congress

Recommendation: For dependents' schools established through mutual agreement among federal, state, and local officials as coterminous school districts or transferred to nearby school districts, Congress may want to consider whether impact aid should be increased to ensure that local districts nationwide do not lose funds because of a reallocation of impact aid to the districts absorbing the section 6 students.
Status: Action not yet initiated.

Recommendation: If the section 6 schools are established as new coterminous districts, Congress may want to consider amending the impact aid legislation to permit the states, in which such districts are established, to consider a portion of impact aid payments to these districts when determining the amount of their education payments so that overall funding levels for these schools would not significantly increase.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Secretaries of Education and Defense should advocate the adoption of the new coterminous local school district alternative unless all parties agree that another alternative is more appropriate in a particular situation. The coterminous operation alternative would reduce overall federal expenditures, restore education responsibilities to the states, and minimize the direct funding and operational impact on local school districts.
Addressee: Department of Education
Status: Action taken not fully responsive. Although the Department of Education did not agree with the recommendation, it will have to resolve the issues with DOD and individual school districts.
Addressee: Department of Defense
Status: Action taken not fully responsive. Although DOD did not agree with this recommendation, it will have to resolve the issues with individual school districts.

Elementary, Secondary, and Vocational Education

Compensatory Education: Chapter 1's Comparability of Services Provision

HRD-87-102, 08/27/87

Background

GAO reviewed states' implementation of the comparability-of-services provision of the Education Consolidation and Improvement Act of 1981.

Findings

GAO noted that the provision requires that children living in areas receiving assistance under the act not receive fewer state- and local-funded services than children in areas not receiving such assistance. GAO found that: (1) there is confusion among the states concerning the need to maintain documentation to demonstrate comparability; (2) the majority of the states adopted means of measuring comparability that were less restrictive than formerly required and relaxed the percentage of variance allowed in determining comparability compliance between schools in the same school district; and (3) the lack of uniformity among states' definitions of instructional staff could result in assisted schools having fewer classroom teachers per student than unassisted schools in the same school district.

Open Recommendations to Agencies

Recommendation: The Secretary of Education should publish provisions under 34 C.F.R. 200.60 specifying that local school districts must retain documentation demonstrating compliance with the comparability requirement.

Status: Recommendation valid/action not intended. In a letter dated November 2, 1987, the Secretary stated that Education will initiate action only if H.R. 5 is passed. If the bill is not passed, Education does not plan to act because it believes that current nonregulatory guidance is sufficient.

Recommendation: The Secretary of Education should publish provisions under 34 C.F.R. 200.60 defining instructional staff for use in calculating and comparing the ratio of pupils to instructional staff for demonstrating comparability.

Status: Recommendation valid/action not intended. Education plans no action because it does not believe that this recommendation is justified.

Elementary, Secondary, and Vocational Education

Deaf Education: The National Mission of Gallaudet's Elementary and Secondary Schools

HRD-87-133, 09/30/87

Background

Pursuant to a congressional request, GAO reviewed Gallaudet University's precollege programs' national mission activities, focusing on: (1) the kinds of activities that make up the national mission; (2) the amount Gallaudet spends on national mission activities; (3) the effectiveness of research results dissemination; and (4) recommendations for improvement.

Findings

GAO found that: (1) Gallaudet operates two precollege schools, the Model Secondary School and the Kendall Demonstration Elementary School; (2) Gallaudet estimated that about 46 percent of its precollege budget for fiscal year 1986 was spent on the national mission; (3) Gallaudet could not account for individual project costs and lacked written policies and procedures for approving and monitoring projects; (4) research and project development results

did not reach as many hearing-impaired students as they might have; (5) precollege training and technical assistance have focused on residential schools, although they now include more public schools; and (6) about 90 percent of the recipients of training and technical assistance were highly satisfied with its quality.

Open Recommendations to Agencies

Recommendation: The President of Gallaudet University should establish a system to account for expenditures according to the precollege programs' major functions—school operations or national mission.

Status: Action in process. Gallaudet stated that it will seek effective ways to separate national mission and school operation costs.

Recommendation: The President of Gallaudet University should develop written policies and procedures for approving and monitoring research projects dealing with the pre-college population.

Status: Action in process. Gallaudet stated that it has begun to upgrade written documentation and control mechanisms and will investigate procedures in use at comparable research installations.

Recommendation: The President of Gallaudet University should reflect more accurately Gallaudet's research costs by accounting for costs by individual projects.

Status: Action in process. Gallaudet stated that it will implement project-level accounting systems for individual research projects.

Recommendation: The President of Gallaudet University should reevaluate the overall precollege marketing strategy, in order to determine how its products can be made available to more of the hearing-impaired population.

Status: Action in process. Gallaudet stated that it will conduct market research, including specific studies of the effectiveness of its catalog and potential barriers to entry into segments of the market.

Higher Education

Pell Grant Validation Imposes Some Costs and Does Not Greatly Reduce Award Errors: New Strategies Are Needed

PEMD-85-10, 09/27/85

Background

GAO analyzed the Department of Education's efforts to verify data submitted by applicants to the Pell Grant Program through validation and the effects of validation on educational institutions and on student applicants for financial aid.

Findings

GAO conducted: (1) in-depth case studies of 12 postsecondary schools representing the diversity of schools that Pell Grant recipients attend; and (2) a random sampling of the financial aid offices of 400 other institutions. GAO also surveyed students at three different types of schools and compared the experiences of validated and nonvalidated students. GAO found that: (1) validation increased from 39 percent of recipients in 1981 to 1982 to 64 percent in 1982 to 1983; (2) schools were generally positive toward validation and willing to see it expanded to other financial aid programs, although they reported increased costs and award delays attributable to validation; (3) validation problems and delays in awards did not appear to have an effect on most students' academic plans, although about 1 percent of them may have had their plans negatively affected; and (4) substantial, continuing problems with student application and institutional errors exist despite validation, with overawards occurring more frequently than underawards. GAO also reviewed Education's most recent studies of Pell Grant error and found that its efforts to reduce error were hindered by: (1) lack of clear purpose and formal goals, with little done to prevent, as well as detect, error; (2) information gaps caused by lack of regular monitoring of error rates at all types of schools; (3) decisions made under time constraints, contributing to misinterpretation of data; (4) fragmentation within the Office of Student Financial Assistance; and (5) isolation from other agencies that deal with award inaccuracies.

Open Recommendations to Agencies

Recommendation: Education may wish to present proposals for legislative change. However, before taking specific actions, Education needs goals for accuracy, diverse strategies clearly linked to the goals, better data, and internal management structures that will apply leadership to corrective action. A comprehensive effort might include a more active search for relevant experience in other agencies and a greater use of pilot tests of promising practices without having to experiment on the regular system. In addition, a comprehensive effort to define goals and strategies might be made in cooperation with the postsecondary institutions that now carry the responsibility for day-to-day administration of the Pell Grant Program.
Status: Action taken not fully responsive. Education policy continues to emphasize verification, and Congress responded by limiting verification to no more than 30 percent of the applicants. New error data in 1987 may prompt new approaches.

Higher Education

Guaranteed Student Loans: Better Criteria Needed for Financing Guarantee Agencies

HRD-86-57, 07/02/86

Background

GAO reported on the financing of guarantee agencies under the Department of Education's Guaranteed Student Loan Program, specifically whether reserves exceed the risks guarantee agencies are asked to assume, at the expense of the federal government and student borrowers.

Findings

GAO found that: (1) guarantee agencies decided for themselves the levels of reserve funds they needed, but they accumulated more reserves than necessary; (2) the agencies had $986 million in cash reserves at the end of fiscal year (FY) 1985; (3) Education is seeking legislative action to reduce certain sources of funds available to the guarantee agencies; (4) Congress passed a bill requiring Education to recall $75 million in federal advances from the guarantee agencies during FY 1988; and (5) agencies used some of their reserves for non-program purposes. GAO believes that the recall of advances should be conducted over 2 years, rather than as a single payback.

Open Recommendations to Congress

Recommendation: Congress should amend the Higher Education Act of 1965 to require the Secretary of Education to: (1) establish, in consultation with the guarantee agencies, criteria for the appropriate levels of reserves guarantee agencies should retain, based on the financial risks they face; and (2) recall federal advances from the guarantee agencies beyond the amounts needed to maintain reserves at the established levels.
Status: Action in process.

Recommendation: Congress should amend the Higher Education Act of 1965 to restrict the growth of future agency reserves beyond the established levels. In this regard, Congress should consider adjustments to one or more of the financing provisions for guarantee agencies. Options for consideration include: (1) reducing administrative cost allowance reimbursements, reinsurance, or the percentage of collections guarantee agencies may retain, if the preference is to reduce federal expenditures; (2) reducing insurance premiums charged by agencies if the preference is to reduce student costs; or (3) some combination of these.
Status: Action in process.

Higher Education

Guaranteed Student Loans: Guidelines for Reducing Guaranty Agency Reserves

HRD-86-129BR, 08/07/86

Background

Pursuant to a congressional request, GAO: (1) provided guidelines for determining the maximum amount of cash reserves necessary to guarantee loans under the Guaranteed Student Loan Program; and (2) estimated the effects the guidelines would have if they were implemented in fiscal year (FY) 1986.

Findings

GAO noted that agencies should establish their own maximum reserves based upon their potential to experience negative cash flow. GAO developed a methodology to set maximum reserve levels as an amount equal to the largest of three factors: (1) a percentage of claims paid during the prior year; (2) a percentage of the amount of outstanding loans guaranteed by the agency at the end of the prior year; and (3) a minimum of $500,000 to provide for the smaller loan portfolios and claims activity of small agencies. If the guidelines had been implemented in FY 1986: (1) there would have been adequate reserves to offset the largest negative cash flows experienced by any of the guaranty agencies in FY 1984 and FY 1985; (2) guaranty agencies would have returned between $52 million and $81 million in federal advances; and (3) excess reserves would have decreased between $95 million and $222 million. GAO concluded that: (1) agencies' reserve limits should be large enough to accommodate the cash flow problems experienced by any of the agencies in recent years, but not so large that they would allow the accumulation of unnecessarily large reserves; and (2) savings from the implementation of these guidelines in FY 1987 and beyond would depend on the financial condition of each agency during the previous year and the reduction or elimination of barriers such as existing state laws and contractual agreements.

Open Recommendations to Congress

Recommendation: Congress should consider amending the Higher Education Act of 1965 to require that guaranty agency reserves be limited during each FY to the largest of: (1) a percentage in the range of 40 to 50 percent of claims paid during the preceding year; (2) a percentage in the range of 0.3 to 1 percent of the original amount of outstanding loans guaranteed by the agency at the end of the preceding year; or (3) a minimum dollar amount of $500,000 to protect smaller agencies.
Status: Action not yet initiated.

Recommendation: Congress should consider amending the Higher Education Act of 1965 to require the Secretary of Education to: (1) annually determine, at the end of the first quarter of each FY, the cash reserve applicable to each agency during the current year; and (2) require, where actual cash reserves at the end of the prior year exceed the limits, that such excess reserves be used first to return federal advances and then to pay default claims without reimbursement.
Status: Action not yet initiated.

Recommendation: Congress should consider amending the Higher Education Act of 1965 to provide for appeal by the guaranty agencies to the Secretary of Education of the maximum reserve levels permitted at the end of each FY on the basis that: (1) an agency's financial position had deteriorated significantly after the end of the year; (2) an agency has agreements that require the agency to maintain reserves that exceed the maximum limits; or (3) significant changes in the economic environment or the program render the guidelines inadequate for individual agencies.
Status: Action not yet initiated.

Higher Education

Defaulted Student Loans: Private Lender Collection Efforts Often Inadequate

HRD-87-48, 08/20/87

Background

GAO evaluated the Department of Education's and guaranty agencies' policies and procedures in paying default claims under the Guaranteed Student Loan Program to determine whether they adequately protect the federal government's financial interest and minimize unnecessary insurance costs.

Findings

GAO found that: (1) although most of the guaranty agencies developed standards for collecting loans and filing claims, Education never reviewed them; (2) agency standards were inadequate to ensure prompt collection of defaulted loans; (3) agencies poorly enforced claims paid by lenders without standards; (4) interest costs varied widely among the guaranty agencies, since the average time between delinquency and claim payment ranged from 148 to 455 days; and (5) an average delay of 30 days in processing claims would increase federal interest costs by $4.1 million.

Open Recommendations to Agencies

Recommendation: The Secretary of Education should develop and implement a process to systematically review and approve guaranty agencies': (1) standards for collecting loans and filing claims; and (2) statements of internal controls and administrative procedures required to be developed and implemented under the new regulations. Such a system should include specific milestones and timetables for the Department of Education to use in approving the agencies' standards and statements.

Status: Action taken not fully responsive. In its 60-day letter, Education stated that it would take certain corrective actions. Until actions are complete and responsiveness assessed, this recommendation will remain open.

Higher Education

Guaranteed Student Loans: Legislative and Regulatory Changes Needed To Reduce Default Costs

HRD-87-76, 09/30/87

Background

Pursuant to a congressional request, GAO examined needed legislative and regulatory changes for the Department of Education's Guaranteed Student Loan Program, focusing on: (1) guaranty agencies' loan collection practices and procedures; (2) ways to reduce default costs; (3) the amount of time defaulters have to repay loans; and (4) whether guaranty agencies are promptly remitting Education's share of collections.

Findings

GAO found that: (1) new regulations require all guaranty agencies to standardize collection practices and follow specific actions to collect defaulted loans; (2) 1986 legislation should help to reduce defaults and increase collections by requiring guaranty agencies to report repayment patterns to credit bureaus and requiring defaulters to pay reasonable collection costs; (3) the establishment of a National Student Loan Data System should help to further reduce costs by providing a means to verify eligibility; (4) Education collected about $38 million in income tax refund offsets from loan defaulters in 1985; (5) new regulations require guaranty agencies to share all default payments made on reinsured loans with

Education; and (6) guaranty agencies allow longer repayment periods than Education and have 60 days to remit default collections to Education.

Open Recommendations to Congress

Recommendation: Congress should amend the Higher Education Act by requiring that a borrower's promissory note specify that, upon default, the loan interest rate will change to a variable rate with a ceiling of 12 percent, unless existing state law allows for a higher rate to be charged.
Status: Action not yet initiated.

Recommendation: Congress should amend the Higher Education Act by providing the Department of Education with the authority to require that guaranty agencies use the National Student Loan Data System to verify borrower eligibility after the system is established.
Status: Action not yet initiated.

Recommendation: Congress should continue the income tax refund offset program for tax years 1987 and 1988 for defaulted student loans.
Status: Action in process.

Open Recommendations to Agencies

Recommendation: The Secretary of Education should amend the regulations for the Guaranteed Student Loan Program to require that guaranty agencies adhere to criteria comparable to the Joint Standards, which require that, if possible, defaulted debts paid in installments be paid off in 3 years or less.
Status: Action not yet initiated. The Senate Budget Committee plans to put this recommendation in its FY 1989 budget package. Education plans to implement this recommendation by regulatory change.

Recommendation: The Secretary of Education should: (1) amend the Guaranteed Student Loan Program regulations to require that guaranty agencies submit Education's share of collections on reinsured loans within 30 days; and (2) explore a mechanism to assess penalties, similar to those included in the Prompt Payment Act, against agencies who submit their payments late.
Status: Action not yet initiated. The Senate Budget Committee may put this recommendation in its FY 1989 budget package, while Education plans to implement it by regulatory change.

Recommendation: The Secretary of Education should amend the Guaranteed Student Loan Program regulations by requiring that guaranty agencies share all borrower payments to offset collection costs on reinsured loans with Education.
Status: Action not yet initiated. The Senate Budget Committee plans to put this recommendation in its FY 1989 budget package. Education plans to implement this recommendation by regulatory change.

Recommendation: The Secretary of Education should amend the Guaranteed Student Loan Program regulations by requiring that guaranty agencies post borrower payments in the same manner that federal agencies are required to do in accordance with the Federal Claims Collections Standards.
Status: Action not yet initiated. The Senate Budget Committee plans to put this recommendation in its FY 1989 budget package. Education plans to implement this recommendation by regulatory change.

Recommendation: The Secretary of Education should amend the Guaranteed Student Loan Program regulations by requiring that guaranty agencies capitalize interest on defaulters' unpaid costs when they fail to follow their repayment agreements.
Status: Action not yet initiated. The Senate Budget Committee may put this recommendation in its FY 1989 budget package, while Education plans to implement it by regulatory change.

Other Labor Services

Strong Leadership Needed To Improve Management at the Department of Labor

HRD-86-12, 10/21/85

Background

GAO reviewed how the Department of Labor could improve management by: (1) identifying and handling emerging issues; (2) minimizing vulnerability in implementing and controlling management systems for efficient and effective program delivery; and (3) operating financial, procurement and automatic data processing (ADP) systems in a business like way.

Findings

GAO found that Labor had no systematic, departmentwide, long-range policy planning process in such problem areas as: (1) determining how to best use the agency's investigators to achieve a credible enforcement program of pension plans; (2) reducing the lengthy time involved in issuing regulations; and (3) integrating the acquisition and use of ADP resources without unduly constraining component operations. GAO also found that the Secretary generally did not identify key priorities or systematically track progress; however, where he did identify priorities, results were achieved. In addition, GAO found that: (1) information systems did not always provide sufficient data on mission attainment; (2) the monitoring of programs primarily operating at the state and local levels may not be identifying vulnerable areas; (3) program managers often did not perceive audits, reviews, and evaluations as identifying and resolving problems; (4) the agency might have lessened the adverse effect of reductions in force through better identification and planning for long-term staffing needs; (5) Labor's training and management development programs lacked credibility among many program managers; and (6) Labor has not operated key support functions such as financial management, ADP, procurement, and productivity improvement as effectively or efficiently as possible.

Open Recommendations to Congress

Recommendation: Congress should consider the need for: (1) stronger concern for enhancing managerial direction and control; (2) better accountability for agencywide management functions; and (3) more continuity in the top management team.
Status: Action in process.

Open Recommendations to Agencies

Recommendation: The Secretary of Labor should: (1) establish a special committee to determine what can be done to expedite Labor's rulemaking process; (2) develop recommendations and a strategy for implementation; and (3) focus attention on correcting the problem.
Status: Action in process. The Secretary established a committee in November 1985 to develop recommendations and an implementation strategy. Studies are underway.

Recommendation: The Secretary of Labor should enhance procurement capability by directing procurement managers, as well as program managers, to work with their personnel offices to focus on enhancing position skills, defining position requirements, and ensuring proper job classification.
Status: Action in process. Labor is matching skill levels with required position skill levels, implementing the 1102 classification standard, developing and implementing a position reference package, and assessing its technical training needs.

Recommendation: The Secretary of Labor should enhance procurement capability by directing the Assistant Secretary for Administration and Management to implement a comprehensive automated procurement data system.
Status: Action in process. During 1986, Labor obtained General Service Administration software to prepare contract monitoring reports, establish a committee to determine the scope of its long-range automation needs, and prepare cost estimates for the fiscal year (FY) 1988 budget. If resources are available, Labor will begin implementing these improvements during FY 1988.

Recommendation: The Secretary of Labor should enhance procurement capability by holding managers accountable for preparing annual advanced procurement plans (AAPP) that contain required elements and

reflect realistic up-front assessments of needs.
Status: Action in process. Labor issued instructions to the agencies for preparing annual advanced procurement plans (AAPP), which include accountability and needs assessment. By December 1987, the Secretary will review AAPP and report on their adequacy.

Recommendation: The Secretary of Labor should direct the senior information resources management (IRM) official and the Assistant Secretary for Administration and Management (OASAM) to: (1) complete the development of a departmental strategy and ADP/telecommunications plan leading to a departmental plan for IRM; (2) improve guidance on conducting inventories and monitor the process of taking the inventory; (3) adequately review and approve/disapprove agency plans, systems needs, requirements, cost/benefit analyses, and proposed deviations from generally accepted testing procedures before systems are acquired or accepted; (4) periodically conduct IRM reviews covering system utilization and potential for functional consolidation; and (5) assess staffing needs to fulfill increased responsibilities.
Status: Action in process. Labor has taken steps to improve its IRM, including: (1) consolidating IRM functions in OASAM; (2) issuing a departmentwide IRM strategy; (3) preparing a departmental long-range IRM plan; (4) preparing IRM policies; (5) developing a program for IRM reviews; and (6) assessing staffing needs. Labor agreed to take action to further enhance IRM management within staffing constraints.

Recommendation: The Secretary of Labor should hold the senior IRM official and other appropriate managers, including program assistant secretaries, accountable for: (1) carrying out departmental IRM planning and acquisition requirements, including preparing adequate plans and accurate inventories; (2) preparing adequate needs, requirements, and cost-benefit analyses before systems are acquired; and (3) taking appropriate action to periodically review system utilization and avoid unnecessary duplication of equipment and systems and enhance systems compatibility and interoperability within Labor.
Status: Action in process. Instructions for implementing IRM policies will be issued later. The Secretary will review, track, and report on compliance with these policies.

Recommendation: The Secretary of Labor should direct the Assistant Secretary for Employment and Training, in cooperation with OIG and other appropriate departmental officials, to improve its vulnerability assessment process to ensure that it is adequate for determining the vulnerability of the Job Training Partnership Act (JTPA).
Status: Recommendation valid/action not intended. GAO and Labor have a fundamental disagreement over Labor's responsibility to assess state and service delivery levels' operations. Labor believes that it is sufficiently in compliance with JTPA, Federal Managers Financial Integrity Act (FIA), Comptroller General (CG) instructions, and OMB guidance. GAO will address this issue in an FIA follow-up review.

Recommendation: The Secretary of Labor should direct the Assistant Secretary for Employment and Training to work with the Assistant Secretary for Administration and Management to evaluate and possibly redesign its vulnerability assessment instrument and process for unemployment insurance to ensure that they produce reliable results and more completely cover the program.
Status: Recommendation valid/action not intended. Labor fundamentally disagreed with the GAO position that its responsibility extends to state employment service agencies. Labor believes that it is in compliance with FIA, CG instructions, and OMB guidance. GAO will address this issue during an FIA follow-up review.

Recommendation: The Secretary of Labor should reassess the emphasis given to program evaluation within the Department to determine whether additional evaluations of key departmental activities would enable the Secretary to make more informed policy decisions and better control operations.
Status: Action in process. Labor identified existing program evaluation activities and is assessing their usefulness in addressing policy matters.

Recommendation: The Secretary of Labor should direct the Assistant Secretary for Administration and Management, in cooperation with agencies, to: (1) establish appropriate standards for filling vacancies; (2) establish procedures for monitoring the staffing process; and (3) develop strategies for dealing with identified problem areas.
Status: Action in process. Labor and the agencies established interim time standards in June 1986 for filling vacancies and began collecting staffing data to assess the adequacy of the standards. Because of the lack of recruitment activities, Labor and the agencies will continue to collect data until sufficient data is available upon which to base permanent standards.

Recommendation: The Secretary of Labor should require that agencies establish, with OASAM guidance and assistance, more systematic procedures for developing employees for supervisory and management positions.
Status: Action in process. Labor is assessing position knowledge and skill

requirements and establishing or revising programs to meet the requirements.

Recommendation: The Secretary of Labor should require more rigorous implementation of training needs assessments and course evaluation methods that identify current and future training needs, so that agency and programmatic requirements are satisfied.
Status: Action in process. Labor is identifying agency and program training requirements and evaluating course effectiveness.

Recommendation: The Secretary of Labor should strengthen performance management throughout the Department by requiring each agency to review the operations of its appraisal systems, with assistance and coordination provided by OASAM, to ensure that: (1) performance expectations are accurate; (2) personnel actions are based on employee performance; and (3) wide variations in the application of Labor's policies are assessed and appropriately addressed.
Status: Action in process. Labor is establishing system review criteria and assessing agency application of Labor's performance management policies. Labor will address any wide variations in agency application of the performance management policies.

Recommendation: The Secretary of Labor should strengthen performance management throughout the Department by directing OASAM, in cooperation with Labor agencies, to assess supervisory training needs in the area of performance management and provide training to meet those needs.
Status: Action in process. Labor is assessing its training needs and will train the appropriate supervisors.

Recommendation: The Secretary of Labor should implement a more systematic productivity improvement effort by requiring managers to develop quantifiable, or at least observable, measures for as many positions as practicable in the department. Included in these, to the extent possible, should be customer and quality of service measures.
Status: Action in process. Labor has decided to place primary emphasis on developing performance measures for units or functions rather than for individual positions. Once these are in place, the relevant quantified inputs/outputs will be budgeted to individual performance standards.

Recommendation: The Secretary of Labor should implement a more systematic productivity improvement effort by directing program managers to routinely perform comparative trend and productivity analyses for their field offices.
Status: Action in process. When significant portions of Labor's functions are accepted by OMB for inclusion in the President's productivity program, comparative trend analyses will be done.

Recommendation: The Secretary of Labor should direct the Assistant Secretary for Administration and Management to: (1) periodically reevaluate the integrated accounting system (IAS) financial management reports to ensure that they effectively meet managers' needs; (2) determine the comparative data needs of managers that could be met by the IAS reporting process as part of the overall report reevaluation effort; and (3) investigate the extent and causes of specific accounting document coding problems and their impact on report accuracy.
Status: Action in process. Labor conducted limited reviews and tests of its financial management reports, investigated problems, and prepared a budget plan. It obtained agency financial managers' input to its IAS modernization implementation plans and will conduct more complete reviews and tests of the reports.

Recommendation: The Secretary of Labor, in order to adequately assess whether the Department's accounting systems conform with the Comptroller General's principles, standards, and related requirements, should direct the Assistant Secretary for Administration and Management to provide for: (1) departmental monitoring of agency system review efforts; and (2) conformance testing as part of agency accounting system reviews.
Status: Action in process. Labor conducted limited reviews of agency accounting systems and developed a 3-year review schedule and procedures and techniques for indepth evaluations and tests. The Assistant Secretary is monitoring agencies' progress with system reviews. Labor is planning to disclose the significance of weaknesses in future FIA reports, but does not plan to evaluate state grantee internal controls.

Research and General Education Aids

Health and Human Services: Documentation of Funding Decisions for Child Abuse and Neglect Grants Inadequate

HRD-87-69, 05/22/87

Background

Pursuant to a congressional request, GAO reviewed the Department of Health and Human Services' (HHS) Office of Human Development Services (OHDS) discretionary grant funding for National Center on Child Abuse and Neglect projects, focusing on the extent to which OHDS: (1) selected and rejected grant applications out of ranking order without written justification; and (2) selected grant applications for noncompetitive review without written justification.

Findings

GAO found that: (1) OHDS approved 129 of the 234 full grant applications during fiscal years (FY) 1984 and 1985; (2) of the 105 applications not funded, OHDS noncompetitively reviewed 3 without written justification; (3) of the 102 applications that OHDS competitively reviewed, it rejected 9 out of ranking order without written justification; (4) OHDS rejected 5 competitively reviewed applications with vague and brief written justifications; and (5) OHDS rejected 46 preapplications out of ranking order and selected 39 preapplications out of ranking order, with inadequate or no written justification. GAO also found that OHDS did not properly maintain: (1) official files for rejected applications; (2) documentation indicating the resolution of reviewers' concerns and recommendations; or (3) documentation summarizing the reviewers' comments and recommendations. In addition, GAO found that OHDS failed to address documentation issues in a 1986 memorandum on grant review policies.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Assistant Secretary for Human Development Services to withhold funds from grantees until documentation is included in the official grant files showing that all negotiation points raised during the review process have been considered and resolved.
Status: Action in process. Estimated completion date: 03/88. OHDS began reviewing its grant policies and will revise them, as needed, to require that all substantive negotiation points will be considered and resolved before grant funds are released. OHDS may also attach special conditions to the grant award, if necessary, when revisions are made.

Recommendation: The Secretary of Health and Human Services should direct the Assistant Secretary for Human Development Services to examine existing policies requiring documentation for grant award decisions and determine whether the required documentation ensures fair and objective consideration for all grant applications.
Status: Action in process. Estimated completion date: 06/88. OHDS stated that it had improved its policies and procedures based on experience and problems noted in the GAO reviews and report. The revisions, made in FY 1987, according to OHDS, reflect these improvements. Additional changes planned for FY 1988 will confirm the OHDS commitment to fund higher quality grants under a fair and objective competitive review process.

Social Services

A Comprehensive Approach Needed for Further Productivity Improvements in the Unemployment Insurance Program

HRD-85-8, 10/25/84

Background

GAO reviewed the Department of Labor's utilization of resources in its implementation of the federal-state Unemployment Insurance (UI) program.

Findings

GAO found that states administering the program have achieved significant productivity increases over the past 20 years, although there is potential for further improvement. GAO noted that there remain significant differences in productivity rates among states and offices within states, many of which are attributable to variations in operating practices. GAO also noted that productivity improvement receives some attention from Labor management, but it is not a specific management objective and Labor does not have a comprehensive approach for achieving productivity improvements.

Open Recommendations to Agencies

Recommendation: The Secretary of Labor should direct the Employment and Training Administration (ETA) to develop a plan for improving productivity in administering the UI program to include: (1) measures of productivity and unit costs; (2) improvement goals; and (3) a joint approach with states to identify and disseminate information on best management and processing practices to improve productivity.

Status: Action in process. Estimated completion date: 10/88. Actions include: (1) implementing an UI quality control program to collect data for use by state employment security agencies (SESA) to assess operations and prepare corrective action plans; (2) disseminating information from the plans to other SESA; and (3) designing and implementing a system to identify benefit denials correctly and expedite the process of nonmonetary UI claims determinations.

Social Services

The Establishment of Alternative Corporations by Selected Legal Services Corporation Grant Recipients

HRD-85-51, 08/22/85

Background

Pursuant to a congressional request, GAO reviewed certain alternative corporations that were established by three Legal Services Corporation (LSC) grant recipients to determine: (1) how and why the alternative corporations were established; (2) whether the establishment of the corporations complied with the Legal Services Corporation Act and regulations; and (3) whether the grant recipients and alternative corporations have maintained close enough relationships to be considered single entities for purposes of compliance with the act.

Findings

GAO found that: (1) the act and regulations do not prohibit grant recipients from establishing alternative corporations as long as the funds transferred to the corporations are used in accordance with the act; and (2) LSC officials encouraged grant recipients to develop strategies, including the

establishment of alternative corporations, to counter anticipated funding reductions and restrictions. However, the recipients established the corporations for different reasons, including to: (1) comply with the act's fund balance policy to ensure that the funds would remain in the state and not be recaptured or result in future deductions; (2) comply with the act's requirement that recipients involve private attorneys in delivering legal assistance; (3) reduce potential restrictions on recipient activities and the use of private funds; and (4) reduce future expenses in anticipation of funding cuts. GAO found that grant recipients and subrecipients in Texas and Connecticut maintained such close relationships that a true separation of the corporations did not exist, but in Maine, they operated independently and complied with regulations. GAO believes that LSC is justified in considering the two corporations as one under its authority, to ensure that recipients comply with the act, where the grantee and the subgrantee have so close an identity of interests.

Open Recommendations to Agencies

Recommendation: Beginning with the fiscal year ending September 30, 1985, the President, LSC, should consider the Texas Rural Legal Aid's and the Texas Rural Legal Foundation's (TRLA/TRLF) combined funds balance as a single fund balance and apply the procedures in the LSC fund balance regulation.
Status: Action in process. LSC revised its Audit and Accounting Guide to consider the fund balance of a grant recipient and alternative corporation as a single fund balance under LSC regulations. LSC has been unsuccessful in applying the regulations to the TRLA/TRLF fund balance, but it is continuing to seek compliance.

Social Services

Software Systems: SSA Encountering Significant Delays in Its Claims Modernization Project

IMTEC-87-8, 12/22/86

Background

In response to a congressional request, GAO reviewed the Social Security Administration's (SSA) Claims Modernization Project (CMP) to determine SSA progress in achieving the project's original objectives.

Findings

GAO found that: (1) although SSA has reduced the original scope of CMP, it has fallen 3 years behind schedule; (2) SSA completed no major portion of the software redesign, although it procured significant amounts of hardware; (3) SSA has not followed sound management practices in implementing reduced CMP; (4) because SSA has not followed good systems development practices, its systems are vulnerable to problems similar to those it experienced in the past; (5) without standards for testing, documenting, and validating software, future modifications could be difficult and costly; and (6) despite the delays and inadequate tests, SSA contracted to procure the hardware to support original CMP and is faced with renegotiating quantities and delivery schedules.

Open Recommendations to Agencies

Recommendation: To avoid a continuation of the problems which have hindered the SSA software modernization effort and related hardware acquisitions, the Secretary of Health and Human Services should direct the Commissioner of Social Security to reassess the SSA approach to modernization, including determining the criticality of the deficient software areas originally included in CMP and prioritizing the redesign of that software accordingly.
Status: Action in process. SSA is reassessing its automatic data processing modernization strategy and told GAO that a reprioritization of the plan will result. SSA estimates that the plan will be ready in several months.

Recommendation: The Commissioner of Social Security should develop time frames and cost estimates for achieving the redesign.
Status: Action in process. As part of the SSA reassessment of its modernization strategy, SSA intends to develop time frames and costs once it has re-prioritized the plan.

Recommendation: The Commissioner of Social Security should conduct a prototype test that reflects the results of the reassessment and is designed to include an evaluation of the performance of the total hardware configuration and software components as they are developed. At a minimum, the test should include verifying operational performance and additional equipment needs, and the impact on field office positions, as well as evaluating the impact on the overall program objective of improving service to the public.
Status: Action in process. SSA is in the early stages of implementing the system and is still unsure of the total performance. If prototype testing is not performed prior to total implementation, there will be a risk that the system will not perform adequately. SSA recently briefed GAO and stated that it is now considering a prototype function similar to the one recommended.

Recommendation: The Commissioner of Social Security should reconsider the quantity of hardware needed and the timing of its installation. If the reassessment discloses that the quantity of hardware being procured, as well as the installation schedule of such hardware, exceeds the needs of the scaled-back and delayed CMP, SSA should consider cost-effective alternatives, including renegotiation of the hardware contracts. Since installation schedules have been established in the contract, SSA needs to give priority attention to this recommendation.
Status: Action in process. SSA is reassessing its modernization initiative, which may create different hardware needs.

Recommendation: The Commissioner of Social Security should complete development of software standards and apply these standards in future software development in order to reduce the level of risk inherent in the agency's software improvement practices.
Status: Action in process. SSA concurred with this recommendation to complete software standards, and is currently pursuing this. However, the completion date is not certain.

Training and Employment

Emergency Jobs Act of 1983: Funds Spent Slowly, Few Jobs Created

HRD-87-1, 12/31/86

Background

In response to a congressional request, GAO provided information on federal agencies' and local governments' use of funds the Emergency Jobs Appropriations Act of 1983 provided, specifically: (1) when they spent the funds; (2) how many people they employed; (3) how many unemployed persons received jobs; (4) what efforts they made to provide employment to the unemployed; and (5) what benefits, other than employment, they provided.

Findings

GAO found that: (1) most programs and activities failed to spend their funds before June 1984, when economic recovery began; (2) public works programs spent their funds much more slowly than public service programs; (3) 34,000 people found jobs as a result of the act; (4) an estimated 131,000 people could have found jobs if agencies and local governments had spent all of the available funds during the first year; (5) only 35 percent of the unemployed found jobs as of September 1984; (6) in 7 of the 10 programs GAO surveyed, only 20 percent of the project officials made a moderate attempt to hire persons unemployed at least 15 of the 26 weeks before passage of the act, while only half made an attempt to provide employment to unemployed persons, regardless of how long they had been unemployed; (7) unemployed persons obtained a relatively small percentage of the created jobs; and (8) the funds also provided for the construction of public libraries and roads, humanitarian assistance, including food and health services for the indigent, and the rehabilitation of public buildings and facilities, such as schools and parks.

Open Recommendations to Congress

Recommendation: In considering any future job creation legislation in response to an economic recession, Congress should emphasize programs and activities that historically have been able to quickly spend funds or that have projects available for immediate

implementation to provide jobs when the economy needs them the most, placing less emphasis on public works programs and activities that traditionally have spent funds slowly.
Status: Recommendation valid/action not intended.

Recommendation: In considering any future job creation legislation in response to an economic recession, Congress should require that these programs and activities obligate and, to the extent practicable, spend funds within a specified time period following the end of the recession or after enactment of the legislation to ensure that jobs are created when most needed, allowing federal departments and agencies involved some discretion in granting exceptions where they are in the best interest of the government.
Status: Recommendation valid/action not intended.

Recommendation: In deliberating any future job creation legislation, Congress may wish to consider requiring federal departments and agencies that receive funds to maintain specific expenditure, employment, and other information needed to evaluate the program and to improve congressional oversight.
Status: Recommendation valid/action not intended.

Training and Employment

Youth Job Training: Problems Measuring Attainment of Employment Competencies

HRD-87-33, 02/11/87

Background

GAO reviewed employment competencies for youth in job training programs that local service delivery areas (SDA) provided, specifically the: (1) extent and nature of youth competency systems; and (2) competency attainment data states used to judge local program performance.

Findings

GAO found that, to evaluate employment competencies, the Department of Labor grouped them into three areas: (1) pre-employment and work maturity skills needed to find and hold a job; (2) basic education skills; and (3) job skills for specific occupations. Although states use national standards to evaluate local performance, they can adjust the standards to account for differences in competency systems. This makes less comprehensive programs appear more successful than those that provide training that includes basic education and is costlier and more difficult for trainees to complete. Although Labor has proposed establishing a separate standard for employment competencies, it does not believe that it has the data it needs to set such a standard. GAO believes that a separate standard might increase the emphasis on improving the employability skills of youth rather than just placing them in jobs.

Open Recommendations to Congress

Recommendation: If Congress chooses to require a separate competency standard, it should apply the standard to all youths who attain competencies and amend the Job Training Partnership Act to enable Labor to collect the data necessary to establish and develop an adjustment methodology for such a standard.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Secretary of Labor should: (1) recommend that states adjust the positive termination rate and the cost-per-positive-termination standards for youth programs to compensate for differences in SDA competency systems; and (2) provide technical assistance to help states make these adjustments. The Secretary should also advise the states that the following adjustments are needed: (1) higher positive termination rates for SDA that offer only preemployment/work maturity competency training; (2) higher costs-per-positive-termination for SDA that offer more costly training; and (3) lower positive termination rates for SDA that have more stringent criteria for reporting positive competency terminations to the state than for SDA that have less stringent criteria.
Status: Action taken not fully responsive. Labor provided technical assistance to states regarding the youth

performance standards to compensate for differences in competency systems, but has not formally recommended that states make those adjustments. Labor is now engaged in its biennial process of reconsidering the national performance standards and adjustment methodology and will issue further guidance in the spring of 1988.

Training and Employment

Dislocated Workers: Local Programs and Outcomes Under the Job Training Partnership Act

HRD-87-41, 03/05/87

Background

GAO reviewed the Job Training Partnership Act (JTPA) Dislocated Worker Program, specifically the: (1) results achieved, such as placement rates and average wage levels; and (2) assistance provided to participants, including skill training.

Findings

GAO found that: (1) JTPA projects reported that they placed 69 percent of their participants in jobs at an average wage of $6.61 per hour; (2) the average wage was significantly higher than the wage levels other employment and training programs reported, but was generally lower than participants' prior wages; (3) projects emphasizing on-the-job training had higher-than-average placement rates and placement assistance generally took the form of job counseling; (4) JTPA projects enrolled a low proportion of older and less educated dislocated workers because of the concern that these two groups would experience more difficulty in finding new employment; and (5) project outcomes also varied with project characteristics, such as state approaches to funding local projects, the organizations operating the projects, and the extent to which projects focused on specific business layoffs.

Open Recommendations to Congress

Recommendation: Given the problems with the existing match requirement, Congress may want to reevaluate the provision by requiring that resources used to satisfy the match be new ones. If this were done, it would probably be necessary to reduce the current one-for-one match requirement because this level of matching would be more difficult to achieve using only new resources.
Status: Recommendation valid/action not intended.

Open Recommendations to Agencies

Recommendation: The Secretary of Labor should provide technical assistance to states that are slow in their expenditure of title III funds. The technical assistance should focus on ways to speed up the request-for-proposal funding mechanism.
Status: Recommendation valid/action not intended. Labor does not plan to implement this recommendation because proposed legislation replaces the JTPA title III program with a new program that emphasizes rapid response.

Recommendation: The Secretary of Labor should: (1) work with state and local officials to identify the reasons for the lower representation of older and less educated dislocated workers in the JTPA title III program; and (2) develop strategies to obtain greater program participation by these workers.
Status: Recommendation valid/action not intended. Labor does not plan to implement this recommendation because proposed legislation replaces the JTPA title III program with a new program that Labor believes will reach more older and less educated dislocated workers because of its emphasis on rapid response.

Emergency Energy Preparedness

More Assurance Is Needed That Strategic Petroleum Reserve Oil Can Be Withdrawn as Designed

RCED-85-104, 09/27/85

Background

Pursuant to a congressional request, GAO conducted a review to determine whether the Department of Energy (DOE) will be able to withdraw Strategic Petroleum Reserve (SPR) oil at the designed rate and sustain that rate over time. DOE has been implementing a three-phase plan to develop a 750-million barrel SPR at six sites in Louisiana and Texas, of which 483.5-million barrels were in storage.

Findings

GAO found that DOE is continuing to develop additional storage capacity at three of the sites and is using a process known as leaching to remove salt deposits at another site. While SPR was designed so that oil could be withdrawn at any time, DOE has established specific withdrawal rates to be achieved at the completion of each phase. Operational and technical problems exist in pipelines and pumping equipment that may affect the ability to achieve the designed drawdown rate and, although marine growth and debris have reduced the amount of water available to force oil out of storage, DOE has not determined the impact of this. DOE contractor reports state that there is a high degree of corrosion in one major oil pipeline and uncertainty about the quality of some of the buried piping's ability to hold up under the pressure required for drawdown. DOE has been aware of maintenance, support, and repair problems, but has been slow in initiating corrective actions. DOE used a computer model to simulate SPR capabilities for an extended drawdown; however, because of the operational problems and delays in corrective actions, GAO believes that reliance on the computer, which assumes ideal operating conditions, is questionable. Although tests showed that oil could be withdrawn from the sites, the test duration was not long enough to adequately assess equipment reliability.

Open Recommendations to Agencies

Recommendation: To ensure that the SPR system has the capability to provide a readily available supply of oil, the Secretary of Energy should direct the Manager, Oak Ridge Operations Office, to test the raw water systems to ensure that drawdown is not limited by inadequate water supplies, after making the planned modifications to the Bryan Mound and West Hackberry raw water lines and the intake channel at Bryan Mound.
Status: Action in process. Estimated completion date: 03/88. DOE ran the test at Bryan Mound in December 1986, and has been working on the system at West Hackberry. Neither system has performed fully satisfactorily and work is continuing to bring them up to specifications.

Recommendation: To ensure that the SPR system has the capability to provide a readily available supply of oil, the Secretary of Energy should direct the Manager, Oak Ridge Operations Office, to ensure that ongoing work on the logistics support and automated control systems is satisfactorily completed and that the systems function as designed.
Status: Action in process. Tests of the automated system were run in June 1987, but could not be completed because of system deficiencies. Tests rescheduled for late 1987 have slipped and are currently scheduled for early 1988.

Emergency Energy Preparedness

Naval Petroleum Reserve-1: Data Inaccuracies Complicate Production and Ownership Issues

RCED-87-105BR, 03/24/87

Background

In response to a congressional request, GAO examined: (1) whether the rate of oil production at the Naval Petroleum Reserve (NPR-1) meets the requirements of the Naval Petroleum Reserves Production Act; and (2) the effects of production data inaccuracies and omissions on the Department of Energy's (DOE) final settlement of each owner's account.

Findings

GAO found that production data for NPR-1 showed that: (1) the allocation of oil, gas, and water produced from commingled wells was inaccurate; (2) computer-generated reports were inaccurate because of programming and data entry errors; (3) DOE made unexplained changes to records; (4) since production data were inaccurate, production rates may not have met statutory requirements; and (5) there was an absence of effective internal controls that could have prevented or limited the impact of these problems. In addition, the methods that DOE used to determine the production of various pools and strata in commingled wells compounded production inaccuracies and added to the uncertainties about oil production from each pool and concerning computing owners' shares. Although DOE acknowledged its production data problems and took action to correct its data entry and computer program errors and allocation factors for commingled wells, it was not concerned about the potential effects of these problems on divestiture of the government's share of NPR-1 or the ability to produce at the maximum efficient rate.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy should give priority attention to correcting the production data inaccuracies, establishing an allocation system that more accurately reflects the source of petroleum production in commingled wells, and developing a system to better define production ownership.
Status: Action in process. Estimated completion date: 12/87. DOE plans to: (1) rewrite and validate its computer program; (2) correct data entry errors; (3) review all commingled well allocation factors; and (4) develop three-phase allocation factors.

Recommendation: The Secretary of Energy should establish an effective internal control program to: (1) prevent problems similar to those identified in this report from recurring; (2) provide the necessary assurances that corrective actions are, and will be, fully implemented; and (3) provide continuous oversight of NPR-1 operations.
Status: Action in process. Estimated completion date: 12/87. DOE plans to establish a pool allocation factor review and audit procedures.

Recommendation: The Secretary of Energy should ensure that the government's interests concerning the allocation of past production and remaining recoverable reserves are protected in any proposed sale of NPR-1.
Status: Action not yet initiated. The proposed sale has not been approved by Congress. DOE has not explained how it will ensure a fair and equitable settlement with Chevron.

Energy Conservation

Millions Can Be Saved Through Better Energy Management in Federal Hospitals

HRD-82-77, 09/01/82

Background

GAO discussed the potential of federal hospitals to reduce energy consumption and costs through improved energy management.

Findings

GAO found a potential for additional energy savings at the 19 hospitals it visited. Furthermore, they had not implemented many low-cost conservation measures, including reducing hot-water temperature, installing water-flow restrictors, repairing duct insulation, and installing low-wattage fluorescent lighting. GAO identified conservation opportunities at several hospitals which would drastically reduce their annual energy costs, and many of the energy savings measures would pay for themselves in less than a year. Conservation measures used by nonfederal institutions can be implemented while keeping lighting, temperature, humidity, and airflow within prescribed agency standards and without otherwise affecting patient safety or comfort. Most nonfederal hospitals have aggressive energy-saving programs, which have resulted in savings around 20 to 40 percent. Comparable savings by federal hospitals have not been achieved, primarily because of weaknesses in their energy management programs. GAO believes that federal hospitals, in order to achieve savings of 20 to 40 percent, would have to finance conservation measures costing about two to three times their estimated annual savings. The more costly measures should result in savings that would recover the required investment in 3 years or less, with additional savings continuing throughout the life of the equipment or building.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should require that the Secretaries of the Army and the Air Force: (1) conduct technical audits in federal hospitals using qualified energy personnel; (2) establish for each federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) direct federal hospitals to maintain data and report on their energy use; (4) provide their hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (5) direct federal hospitals to implement cost-effective, low-cost conservation measures; (6) monitor the results of energy-saving efforts in federal hospitals and take action to ensure that feasible conservation measures are implemented when these results are not satisfactory; and (7) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.
Status: Action in process. Estimated completion date: 03/90. The services continue to implement these recommendations. Full implementation depends on completion of technical audits of all hospitals. The Department of Defense (DOD) expects that all audits will be completed within the next several years, assuming that funding support is available.

Energy Information, Policy, and Regulation

Department of Energy's Initial Efforts To Implement the Nuclear Waste Policy Act of 1982

RCED-85-27, 01/10/85

Background

GAO reviewed the Department of Energy's (DOE) efforts to implement the Nuclear Waste Policy Act in the areas of: (1) identifying waste disposal sites; (2) financing the waste disposal program through user fees; and (3) establishing an organization to carry out the program.

Findings

GAO found that DOE met its statutory milestones for notifying the affected states that it has identified repository locations for further evaluation. In addition, it completed the final rulemaking action to incorporate siting guidelines into the Code of Federal Regulations. However, DOE does not expect to meet the statutory deadline dates for key decisions in the siting of the first repository because of complexities encountered in preparing required environmental evaluations and testing delays. DOE estimates that the total program costs over the next 50 years will be more than $20 billion; however, DOE plans for users of the sites to pay these costs. DOE established payment procedures for collecting ongoing and one-time fees from the users of the repositories. By June 1983, DOE entered into 70 user contracts. Ongoing user fees are expected to be the major long-term source of program revenue. However, DOE has not yet established fees for the reprocessed high-level wastes produced by defense programs and a demonstration program maintained by New York. GAO found that DOE may be able to accelerate millions of dollars in payments from anticipated users of its waste disposal services by accelerating payment periods and raising interest rates. Finally, GAO found that DOE activated the headquarters office for the program; however, the new office lacks direct authority to control the field staffs that execute the program.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy, in exercising his discretionary authority as custodian of the Nuclear Waste Fund, should fully evaluate ways to more promptly collect fees from all generators and owners of highly radioactive materials in the United States. This evaluation should, at a minimum, consider the possible ways to more promptly collect fees discussed in this report.

Status: Action taken not fully responsive. Of five distinct categories of waste owners or generators, DOE stated that, at this time, because it is not now feasible to make contract amendments, it will not evaluate ways to more promptly collect fees for: (1) commercial entities making ongoing payments into the Nuclear Waste Fund; and (2) commercial entities making one-time payments into the Fund.

Recommendation: The Secretary of Energy should decide what is an appropriate fee to charge the federal government and New York for the disposal of high-level wastes.

Status: Action in process. In August 1987, DOE announced a fee methodology for charging the federal government for the disposal of defense waste in a commercial repository. DOE also stated that, once it has established the defense waste fee, it will use a similar methodology to establish a fee for New York for the disposal of high-level waste.

Energy Information, Policy, and Regulation

The Nuclear Waste Policy Act: 1984 Implementation Status, Progress, and Problems

RCED-85-100, 09/30/85

Background

Pursuant to the requirements of the Nuclear Waste Policy Act of 1982, GAO reviewed the Department of Energy's (DOE) progress in implementing the act, focusing on: (1) the DOE approach to selecting a waste disposal site; (2) DOE negotiations with states and Indian tribes for consultation and cooperation agreements; and (3) DOE planning for monitored retrievable spent fuel storage (MRS).

Findings

GAO found that, while DOE achieved several important program objectives in 1984, such as its issuance of final repository siting guidelines and its initiation of spent fuel demonstration projects, DOE has delayed many actions required by the act because of unrealistic scheduling and inadequate contingency planning. Specifically, GAO found that: (1) delays in the issuance of final siting guidelines occurred because DOE was overly optimistic in its planning; (2) while DOE believes that the act requires that it find only one suitable repository site after final testing, a number of states and other groups have questioned the DOE interpretation and claim that three sites must be found suitable, from which one is to be recommended for a repository; and (3) the DOE approach may jeopardize the program's success because, if backup sites are not available, a successful legal challenge to a site recommendation could cause a major setback to the program. GAO also found that: (1) DOE has negotiated with only one state and an Indian tribe for consultation and cooperation agreements; (2) other states and tribes are waiting for further DOE siting decisions before entering negotiations; and (3) one issue that could affect acceptance of such agreements is the $500-million-per-accident liability limit imposed by law for the nuclear waste activities of DOE and its contractors. In addition, GAO found that it will be difficult for DOE to develop both MRS facilities and repositories in a timely manner because the two parts of the program compete for limited staff and financial resources.

Open Recommendations to Congress

Recommendation: If Congress decides greater conservatism in siting the first repository is needed to provide backup sites, several available options include: (1) confirming the need for alternative sites, but approving DOE testing plans; (2) requiring additional testing prior to the DOE recommendation of three sites for characterization; (3) directing DOE to characterize more than three sites; or (4) directing DOE to modify its site characterization approach by first testing and then characterizing more than three sites.
Status: Action not yet initiated.

Recommendation: If the Price-Anderson Act is extended, Congress should increase the act's limits on liability and indemnification for nuclear incidents involving high-level radioactive waste activities.
Status: Action in process.

Energy Information, Policy, and Regulation

Energy Regulation: Hydropower Impacts on Fish Should Be Adequately Considered

RCED-86-99, 05/20/86

Background

Pursuant to a congressional request, GAO reviewed: (1) the adequacy of the 30-day period that agencies are given to request a hearing after the Federal Energy Regulatory Commission (FERC) issues an order authorizing the construction and operation of a hydroelectric project; and (2) the FERC role in determining whether fish-protection measures are working properly.

Findings

GAO found that: (1) federal and state fish and wildlife officials often did not receive FERC orders until 2 weeks after issuance; (2) when these delays occurred, officials selectively responded to the projects with the largest impacts and interrupted their operations to prepare timely requests for hearings; (3) about one-third of the 30-day period is used for printing, distribution, and mailing processes; and (4) although the Federal Power Act (FPA) allows FERC 30 days to respond to the construction of a hydroelectric project, FERC could increase available response time by reducing processing and mailing time. GAO also found that: (1) FERC inspectors do not have the expertise to determine how well fish-protection measures were working; and (2) although FERC relies on state agencies to perform this function, it does not have formal working agreements with state agencies and, therefore, it is difficult to determine the extent to which fish protection measures are working.

Open Recommendations to Agencies

Recommendation: To ensure that federal and state fish and wildlife agencies in the Northwest have sufficient time to review and respond to FERC orders on hydroelectric projects, the Chairman, FERC, should have the Director, Office of Hydropower Licensing, implement alternatives which would allow interested parties more time within the 30-day period. Such alternatives might include: (1) expediting the processing and mailing of orders impacting the Northwest; (2) accepting a rehearing request if postmarked within 30 days of issuance; and (3) designating its Portland, Oregon office as the official receiving point for such requests.
Status: Action in process. FERC agreed with the aim of this recommendation and is in the process of exploring the various alternatives which would allow the fish and wildlife agencies in the Northwest more time to review and comment on FERC orders. FERC stated that it is continuing efforts in this area, but has encountered problems because of the need to be fair to agencies in all regions of the country.

Energy Information, Policy, and Regulation

Department of Energy: Allegations About the Director of the Office of Minority Economic Impact

RCED-86-95, 06/12/86

Background

Pursuant to a congressional request, GAO investigated various allegations against the former Director of the Department of Energy's (DOE) Office of Minority Economic Impact (OMEI), focusing on allegations that the Director: (1) proposed a reduction in force (RIF) to retaliate against the two affected employees; (2) claimed travel expenses for trips not related to government business; and (3) misused government telephones and vehicles.

Findings

GAO found that: (1) there was no direct evidence to support the allegation that the Director proposed RIF to retaliate against employees; (2) there was substantial circumstantial evidence supporting the view that retaliation was a significant factor in her decision to propose RIF; (3) the Director failed to follow established DOE RIF procedures in proposing, conducting, and notifying the employees of RIF; (4) the Director made a number of trips to her home state and there were discrepancies between her itineraries and vouchers regarding the purposes of the trips and the length of stay necessary to accomplish official business; (5) on one occasion, an OMEI grantee improperly paid the Director's hotel bill; (6) the Director extensively used federal telephones for what appeared to be personal calls; (7) the Director used DOE vehicles and drivers for a number of trips that may have been related to personal business; (8) there was little support for an allegation that the Director used OMEI staff and supplies to conduct personal business; and (9) there was no evidence that the Director engaged in illegal contracting activities.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy should request the Inspector General to determine the extent to which the Director's trips were personal, and whether regulations covering conflict of interest, salary, and appropriation augmentation were violated. Based on these determinations, the Secretary should take cost recovery and other actions, as appropriate.
Status: Action in process. The Inspector General completed a report and forwarded it to the DOE Undersecretary for management action on July 24, 1987.

Recommendation: The Secretary of Energy should request the Inspector General, DOE, to determine the extent to which the Director made use of long-distance telephone lines and the motor pool for personal use at government expense, and recover any such expenses, as appropriate.
Status: Action in process. The Inspector General completed a report and forwarded it to the DOE Undersecretary for management action on July 24, 1987.

Energy Information, Policy, and Regulation

Energy Regulation: DOE Should Ensure Oil Industry Retains Records To Resolve Violations

RCED-86-153, 08/18/86

Background

In response to a congressional request, GAO provided information on the Department of Energy's (DOE) development and implementation of the Economic Regulatory Administration's (ERA) rule amending the recordkeeping requirements for the oil industry to determine whether DOE: (1) risked the loss of records needed to resolve alleged violations by issuing the rule in January 1985; and (2) had an adequate basis for selecting June 30, 1985, as the cut-off date for certain firms to retain their records. GAO also reviewed one oil producer's efforts to have DOE significantly reduce the oil industry's recordkeeping burden, specifically whether correspondence between executive branch officials and DOE should have been included in the public file.

Findings

GAO found that: (1) DOE issued its amended rule in January 1985 because it mistakenly believed that it would subsequently have difficulty enforcing its recordkeeping requirements; (2) since DOE failed to document and coordinate the actions it took to identify which oil firms should retain records and which records they should retain, some firms may have destroyed records needed for enforcement proceedings; (3) DOE unrealistically selected the June 30, 1985, cut-off date for certain firms to retain their records before it had completed its enforcement program; (4) it could not determine to what extent the oil producer's correspondence influenced the rulemaking process; and (5) the correspondence between the executive branch and DOE was not required to be part of the public file, since it did not directly respond to ongoing DOE rulemaking or a DOE request for approval of the recordkeeping requirement.

Open Recommendations to Agencies

Recommendation: To ensure that the records still needed for the ERA enforcement program are being retained by the oil firms, the Secretary of Energy should direct the Administrator, ERA, to determine which of the 19 third-party firms that did not receive notification letters still need to retain records, and appropriately notify those firms.

Status: Action in process. ERA officials stated that they need some additional information from GAO so that they can continue their process of determining which of the 19 firms are still required to maintain records and notifying them accordingly. Such information will be provided by December 11, 1987.

Recommendation: The Administrator, ERA, should determine whether the 80 letters to the third-party firms, whose letters were not adequately supported by ERA documentation, were accurate. If the letters were not accurate, the firms should be notified of the correct recordkeeping requirements.

Status: Action in process. ERA officials stated that they need some additional information from GAO so that they can continue the process of determining the accuracy of the information contained in the 80 letters. Such information will be provided by December 11, 1987.

Energy Information, Policy, and Regulation

Nuclear Waste: Institutional Relations Under the Nuclear Waste Policy Act of 1982

RCED-87-14, 02/09/87

Background

In response to a congressional request to assess the Department of Energy's (DOE) relations with the states and Indian tribes that its Nuclear Waste Repository Program affects, GAO: (1) identified the states' and tribes' concerns with the program, including their level of participation in the decisionmaking process for waste sites; (2) examined the DOE program for involving states and tribes and the DOE positions on their concerns; and (3) determined what steps DOE should take to improve its program.

Findings

GAO found that the states and tribes involved in the program: (1) were concerned about the potential environmental and socioeconomic impacts of siting a nuclear waste repository in their region because they did not believe that it could safely withstand groundwater seepage and other natural phenomena and prevent radiation from escaping to the surrounding environment; (2) believed that DOE restricted them from participation in making decisions that affected them, particularly in the first repository siting process; and (3) claimed that the DOE Mission Plan was deficient and vague. GAO noted that DOE claimed that attempts to negotiate formal agreements with states and tribes have been unsuccessful because of controversial issues such as federal liability, and because states and tribes were reluctant to agree with DOE concerning nuclear waste issues. DOE cited numerous steps it took over the past 2 years to involve states and tribes in the program, including: (1) holding periodic meetings and using other means to inform states and tribes and obtain input on program activities; (2) issuing detailed comment response documents to inform states and tribes about the disposition of their comments on program documents; (3) allowing states and tribes to participate in internal DOE management groups considering environmental issues and other relevant matters; and (4) using an independent peer group to review the DOE decision-aiding methodology for repository site selection.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy should take steps to improve DOE efforts to involve affected states and Indian tribes in the nuclear waste program and to enhance the overall credibility of the program by employing independent advisory groups during site characterization and other program activities.

Status: Action in process. Estimated completion date: 12/94. In May 1987, the National Academy of Sciences (NAS) submitted a proposal to DOE to review the technical portions of site characterization for the three potential sites. According to DOE, it plans to employ NAS as an independent advisory

group during its site characterization, which will continue through 1994.

Recommendation: The Secretary of Energy should take steps to improve DOE efforts to involve affected states and Indian tribes in the nuclear waste program and to enhance the overall credibility of the program by adopting a strategy of negotiating incremental agreements with the states and tribes in an effort to build a foundation for resolving controversial issues.
Status: Action in process. DOE identified several initiatives it was considering to encourage consultation/cooperation. These included plans to adopt a procedure for adding to previously negotiated agreements any provision later negotiated with a particular state or Indian tribe. According to DOE, it plans to pursue the possibility of negotiating interim or partial consultation/cooperation agreements.

Recommendation: The Secretary of Energy should take steps to improve DOE efforts to involve affected states and Indian tribes in the nuclear waste program and to enhance the overall credibility of the program by better defining consultation and cooperation in the Mission Plan.
Status: Action in process. During a May 27, 1987, meeting with affected states/Indian tribes, DOE initiated discussions to arrive at a mutually acceptable redefinition of consultation/cooperation. DOE reported to Congress that it plans to work with states/tribes to establish a forum and format by which operating principles governing consultation/cooperation will be developed.

Energy Information, Policy, and Regulation

Energy Management: Problems With Martin Marietta Energy Systems' Affiliate Relationships

RCED-87-70, 03/05/87

Background

Pursuant to a congressional request, GAO evaluated a Department of Energy (DOE) contractor's actions in operating the DOE Oak Ridge National Laboratory to determine whether: (1) the contractor's relationship with an affiliate violated DOE conflict-of-interest regulations; and (2) DOE maintained adequate control over the contractor's procedure for acquiring personal services from its parent company.

Findings

GAO found that the contractor: (1) helped to set up an affiliated venture capital firm for the purpose of transferring technology developed at Oak Ridge to the private sector; (2) failed to follow DOE conflict-of-interest procedures when dealing with the affiliate; (3) failed to advise DOE of its relationship with the affiliate; (4) twice released technology-related information to the affiliate before obtaining DOE approval to do so; and (5) allowed the affiliate an unfair competitive advantage over a firm that was attempting to acquire certain Oak Ridge-developed technology. GAO also found that: (1) DOE does not review the contractor's compliance with the contract's conflict-of-interest provisions; and (2) in order to mitigate concerns over the apparent conflict of interest, DOE and the contractor negotiated an agreement limiting the contractor's parent company's gain from DOE technologies commercialized through the affiliate. In addition, GAO found that: (1) DOE and the contractor did not follow established procedures for approving the noncompetitive acquisition of services from the contractor's parent company; (2) the procedures that DOE and the contractor established for such acquisitions required neither written justifications for noncompetitive procurement nor documentation of labor costs; and (3) the contractor sometimes failed to submit required documentation of other costs.

Open Recommendations to Agencies

Recommendation: To strengthen DOE oversight of Energy Systems' compliance with conflict-of-interest requirements, the Secretary of Energy should direct the Oak Ridge Operations Manager to carry out periodic reviews of Energy Systems to ensure that business contacts with affiliates and potential conflict-of-interest situations are identified and reported to DOE.
Status: Action in process. DOE concurred with this recommendation and scheduled the first review to be performed with the next Energy Systems' performance appraisal period.

The DOE Contract Evaluation Branch is to initiate and track this and subsequent appraisals. GAO plans to follow up with DOE to verify that the review is scheduled and carried out.

Energy Information, Policy, and Regulation

Nuclear Security: DOE's Reinvestigation of Employees Has Not Been Timely

RCED-87-72, 03/10/87

Background

In response to a congressional request, GAO provided information on the adequacy of the Department of Energy's (DOE) periodic reinvestigations of employees' security clearances for access to nuclear defense programs.

Findings

GAO found that DOE: (1) has been unable to meet its goals to reinvestigate security clearances at headquarters and some field offices; (2) may have cleared employees in its work force who were unsuitable for clearance because of serious drug, alcohol, or other problems; (3) should develop a plan to ensure timely reinvestigations; and (4) should review the appropriateness of the number and level of active clearances, since these factors largely determine the reinvestigation work load.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy should develop a plan to bring headquarters and the field offices into compliance with the December 1985 Personnel Security Program Order. The first step in the planning process should focus on how the numbers and levels of active clearances can be reduced. DOE may be able to reduce clearance numbers and levels by ensuring that only employees who require clearances have them, that employees have the lowest clearance level needed to do their jobs, and that clearances for individuals who are no longer associated with DOE are promptly terminated. The plan should consider: (1) reinvestigation workload requirements; and (2) resources needed to meet those requirements. In addition, the Secretary should direct the Assistant Secretary for Defense Programs (ASDP) to review and approve the plans, monitor their implementation, and annually report to him on compliance with the order.
Status: Action in process. Plans for all 11 offices have been received. Four are being revised and seven are being reviewed for ASDP approval. All will be coordinated with the Assistant Secretary for Management and Administration prior to approval. Fiscal year (FY) 1988 and FY 1989 funding requests have been made. Annual monitoring is provided for.

Energy Information, Policy, and Regulation

Nuclear Waste: DOE Should Provide More Information on Monitored Retrievable Storage

RCED-87-92, 06/01/87

Background

Pursuant to a congressional request, GAO evaluated the Department of Energy's (DOE) plans for monitored retrievable storage (MRS) of spent nuclear fuel, focusing on whether the DOE MRS proposal provided Congress with enough information to determine whether to authorize an MRS facility.

Findings

GAO found that: (1) DOE proposed an MRS system whose principal role would be waste preparation rather than long-term waste storage, as the Nuclear Waste Policy Act envisioned; (2) the DOE proposal did not show how a system that included MRS would differ from a system that did not; (3) DOE did not analyze potential alternatives to determine whether it could improve the nuclear waste management process without MRS; (4) DOE did not compare the costs of MRS and non-MRS alternatives; (5) DOE believes that, while MRS would increase total system costs by $1.5 billion to $1.6 billion, it would offset the costs by savings of up to $1 billion in spent fuel storage costs at reactors; and (6) DOE did not estimate the cost of state and local taxes for MRS or the cost of mitigating the local impact of an MRS facility.

Open Recommendations to Congress

Recommendation: DOE has submitted its proposal to Congress seeking authorization to construct and operate an MRS facility primarily for waste preparation and packaging rather than for long-term waste storage. In evaluating the proposal, Congress needs to recognize that the MRS concepts embodied in the Nuclear Waste Policy Act and the DOE proposal are different.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: In order to assist Congress in its determination of whether MRS should be integrated into the nuclear waste management system, the Secretary of Energy should obtain reactor-specific information from utilities on: (1) their need for MRS and how it would affect their operations; (2) whether they are willing and able to implement alternatives for improving the authorized waste management identified by DOE, such as rod consolidation, dry storage, and upgrading for rail transport, at reactor sites; and (3) whether utilities have identified other potentially viable alternatives for the management of nuclear wastes that may be more beneficial than either MRS or the alternatives identified by DOE.
Status: Action taken not fully responsive. DOE contractors surveyed eight utilities to find out their views on MRS and their ability to implement some alternatives. This limited survey does not give a full indication of the capabilities and willingness of the industry as a whole to implement alternatives to MRS.

Recommendation: In order to assist Congress in its determination of whether MRS should be included into the nuclear waste management system, the Secretary of Energy should identify the best configuration of the authorized waste management system that combines the most feasible alternatives for maximizing the effectiveness, efficiency, and safety of the system in lieu of MRS and present Congress with the benefits and costs of both systems. This analysis should include the final results of the DOE Program Research and Development Announcement and ongoing systems integration studies.
Status: Action in process. Estimated completion date: 01/88. DOE is completing a draft report analyzing alternative waste management systems without MRS and comparing these with a system which includes MRS.

Recommendation: In order to assist Congress in its determination of whether MRS should be included in the nuclear waste management system, the Secretary of Energy should determine the estimated costs of each program element which has been identified, but not yet quantified.
Status: Action in process. Estimated completion date: 01/88. DOE is completing a draft report analyzing, among other issues, the costs of MRS program elements which have previously been identified, but not quantified.

Energy Information, Policy, and Regulation

Nuclear Regulation: A Perspective on Liability Protection for a Nuclear Plant Accident

RCED-87-124, 06/02/87

Background

In response to a congressional request, GAO provided information on issues pertaining to the Price-Anderson Act, which establishes funding to compensate for personal injury and property damage from a nuclear accident and limits the nuclear industry's liability for such accidents. GAO assessed the: (1) potential consequences of various nuclear power plant accidents; (2) likelihood of accident occurrence; and (3) impact of inflation on the protection the act originally provided.

Findings

GAO noted that, unless Congress extends the act, it will expire on August 1, 1987. GAO found that: (1) the potential for a major commercial nuclear accident still exists; (2) private insurance would not fully cover the expected consequences of a major accident; (3) since indemnity agreements under the act cover the life of Nuclear Regulatory Commission (NRC) licenses and Department of Energy (DOE) contracts, expiration of the act's indemnity authority could have an immediate impact on the people living near and the contractors operating DOE nuclear facilities; and (4) DOE officials feel that, without the act's indemnity, contractors may be reluctant to operate DOE nuclear-defense facilities, and states may not agree to the transportation and storage of high-level nuclear waste. GAO also found that: (1) due to inflation, the act's liability protection is too low to provide reasonable compensation for the worst nuclear plant accident; (2) because of a lower liability limit for DOE nuclear activities, the level of protection for the public is lower than that of commercial plants; and (3) although the act covers all off-site accident damages resulting from the release of radioactive material, it is not clear if the act covers the costs for a precautionary evacuation when a release appears imminent but does not actually occur.

Open Recommendations to Congress

Recommendation: Congress should: (1) reassess the commercial liability limit on the basis of inflation, estimates of accident consequences and probabilities, and the uncertainties in these estimates; (2) set the liability limit for DOE at the same level as for commercial licensees; and (3) clarify the act to provide equal protection for the public in the event of a precautionary evacuation.
Status: Action in process.

Energy Information, Policy, and Regulation

Energy Management: DOE/Martin Marietta Earnings Limitation Agreement

RCED-87-147, 07/06/87

Background

Pursuant to a congressional request, GAO analyzed an agreement to limit a Department of Energy (DOE) contractor's parent company's profits from an affiliated venture firm's investments in companies that are commercializing DOE-developed technology, or companies in which contractor personnel are involved as consultants, investors, or employees.

Findings

GAO noted that: (1) the agreement requires the parent company to report annually to DOE, beginning on March 31, 1987, on its total investment in, and return on investment from, the affiliate

firm and its venture companies; and (2) it could not determine precisely how the agreement would work, since the parent company had not submitted its first annual report to DOE. GAO found that the agreement: (1) is intended to reduce incentives for favoritism and avoid perceptions of organizational conflict of interest; (2) establishes a ceiling on the parent company's return-on-investment from venture companies; (3) does not specify what action DOE may take or what sanctions it may impose if the parent company does not abide by the agreement's terms; and (4) does not give DOE access to financial information it needs to determine that the parent company's annual report is accurate and complete. GAO also found that the parent company could retain excess earnings from venture companies indefinitely within the context of the agreement by: (1) increasing investments in nonlimited companies to offset returns from successful limited companies; (2) selling ownership in successful companies after the agreement terminates; and (3) using certain nonequity forms of investment, such as warrants, to avoid the agreement's limits.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy should direct the Oak Ridge Operations Office Manager to initiate discussions with Martin Marietta for the purpose of negotiating amendments to the agreement to: (1) strengthen its controls over Martin Marietta's ability to profit from certain Innovation Center investments; (2) provide DOE access to information needed to ensure that the annual reports on the limitation agreement are accurate; and (3) specify the sanctions that could be imposed if Martin Marietta does not comply with the terms of the agreement.

Status: Action in process. DOE concurred with this recommendation and, on September 3, 1987, initiated discussions with Martin Marietta to negotiate amendments to the agreement. DOE will provide a copy of the revised agreement after amendments have been negotiated.

Energy Information, Policy, and Regulation

Oil Reserves: Proposed DOE Legislation for Firearm and Arrest Authority Has Merit

RCED-87-178, 08/11/87

Background

In response to a congressional request, GAO reviewed the kinds of security systems in place at the Strategic Petroleum Reserve (SPR), security clearance procedures, and the adequacy of the physical security system. In addition, GAO commented on legislation that the Department of Energy (DOE) proposed to grant firearm and arrest authority to SPR security personnel.

Findings

GAO found that there was no uniform framework for guard services for all SPR sites and facilities. Uniform authority would: (1) provide the same arrest authority for guards serving at both sites; (2) allow the security services contractor to move guard personnel among sites with no loss of authority; and (3) resolve the question of security guards' personal liability for actions taken in the line of duty. GAO supported the proposed legislation, but noted that DOE is using subcontractor personnel to protect SPR facilities and the legislation may be ambiguous as to whether DOE can extend firearm and arrest authority to subcontractor employees.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy should request the cognizant House committees to revise the proposed legislation to make explicit the right to grant firearm and arrest authority to SPR subcontractor, DOE, and contractor personnel.

Status: Action not yet initiated. DOE has not yet responded to this recommendation.

Energy Information, Policy, and Regulation

Nuclear Regulation: Efforts To Ensure Nuclear Power Plant Safety Can Be Strengthened

RCED-87-141, 08/13/87

Background

In response to a congressional request, GAO assessed the Nuclear Regulatory Commission's (NRC) efforts to provide the public with reasonable assurance that nuclear power plants operate safely, specifically how NRC: (1) minimizes the risks associated with operating the plants; (2) enforces its safety standards; and (3) finds violations of the standards.

Findings

GAO found that: (1) although the Atomic Energy Act of 1954 allows NRC to shut plants down for safety reasons, NRC lacks guidelines to determine when to shut plants down; (2) NRC ordered some plants to shut down, but did not take action on other plants with similar problems; (3) as of December 1986, NRC had a backlog of 163 unresolved generic safety issues, including 32 considered to pose a significant risk to public health and safety; (4) during fiscal years 1985 and 1986, NRC identified 41 safety issues, but resolved only 32; and (5) NRC takes from several months to 10 or more years to resolve safety issues. GAO also found that, between 1981 and 1986, NRC found 12,170 safety violations through plant inspections, but did not consolidate the regional information concerning the corrective actions the utilities took for program management purposes.

Open Recommendations to Agencies

Recommendation: The Chairman, NRC, should develop guidelines to use as a framework in deciding the types and degree of safety problems that constitute undue risk such that NRC would consider shutting a plant down.
Status: Action not yet initiated. NRC has yet to respond to this recommendation.

Recommendation: The Chairman, NRC, should develop annually consolidated information for all operating plants showing the status of corrective actions planned or taken by the utilities.
Status: Action not yet initiated. NRC has yet to respond to this recommendation.

Energy Information, Policy, and Regulation

Nuclear Nonproliferation: Department of Energy Needs Tighter Controls Over Reprocessing Information

RCED-87-150, 08/17/87

Background

In response to a congressional request, GAO examined Department of Energy (DOE) activities that may assist foreign countries in the development of nuclear weapons material, focusing on DOE controls over: (1) dissemination of information related to the reprocessing of spent nuclear fuel; (2) cooperative research activities it conducts with foreign countries; and (3) involvement of foreign nationals in sensitive nuclear activities and research.

Findings

GAO found that: (1) in 1984 and 1985, DOE produced 258 documents related to the reprocessing of spent nuclear fuel that were available to anyone who wanted them; (2) countries posing a proliferation or security risk obtained copies of these documents, some of which contained information on improved methods of purifying plutonium to weapons-useable levels; (3) DOE has not applied for a Freedom of Information

Act (FOIA) exemption for applied technology related to reprocessing, since its position is that it should honor such requests; and (4) the Nuclear Non-Proliferation Act of 1978 (NNPA) does not support the DOE method of determining when to conduct sensitive nuclear technology (SNT) transfers with other countries. GAO also found that: (1) foreign nationals comprised 30 percent of masters program enrollments and 50 percent of doctoral program enrollments in U.S. university nuclear engineering programs in 1985; and (2) DOE does not have effective administrative control over the 15,000 to 20,000 foreign nationals who visit or work at its facilities each year.

Open Recommendations to Congress

Recommendation: Congress should consider providing DOE with specific directions to develop regulations that implement the SNT definition. Alternatively, Congress should consider amending NNPA to clarify the practices that DOE currently uses to identify and control the transfer of SNT, specifically to: (1) allow DOE to consider other factors, such as the recipient country, in making SNT determinations, thereby establishing a statutory basis for DOE current practices; or (2) require DOE to make SNT determinations in accordance with NNPA, but allow DOE to waive the approval rights requirements for allied countries with advanced nuclear programs on a case-by-case basis after prior notification to Congress.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy should seek an exemption from FOIA for all reprocessing technology developed by DOE. Such an exemption can take the form of a revision to section 148 of the Atomic Energy Act or a provision specifically exempting reprocessing data from FOIA.
Status: Action not yet initiated. DOE has not yet submitted its 60-day comments; however, it expects to send those comments in December 1987.

Recommendation: The Secretary of Energy should, concurrent with the action above, limit the public dissemination of reprocessing data by placing all new reprocessing data in the applied technology category and make it subject to the special distribution controls specified in DOE Order 1430.2.
Status: Action not yet initiated. DOE has not yet submitted its 60-day comments; however, DOE expects to do so in December 1987.

Recommendation: The Secretary of Energy should establish a policy that DOE-funded reprocessing research at colleges and universities be carried out only by U.S. citizens or, at a minimum, citizens from countries that adhere to the Nuclear Non-Proliferation Treaty.
Status: Action not yet initiated. DOE has not yet submitted its 60-day comments; however, it expects to do so in December 1987.

Energy Information, Policy, and Regulation

Energy Management: DOE Controls Over Contractor Expenditures Need Strengthening

RCED-87-166, 08/28/87

Background

In response to a congressional request, GAO evaluated the Department of Energy's (DOE) management controls over procurement practices, specifically: (1) subcontract activities; (2) procedures to protect against bribes and kickbacks; and (3) payment practices. In addition, GAO gathered information on the cost to the federal government of state-imposed taxes on DOE contractors.

Findings

GAO found that DOE had: (1) not established a common definition of competition for its contractors; (2) waived its requirement that contractors publish procurement notices for proposed contracts over $100,000; and (3) not regularly reviewed contractors' procurement in two categories that it exempted from competition. As a result, DOE has little assurance that its contractors procure items fairly and at the lowest possible cost.

Open Recommendations to Congress

Recommendation: In view of congressional concern about the national debt and the need to reduce federal expenditures, Congress may wish to consider exempting federal agencies'

operating contractors from certain state taxes.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy should ensure that DOE defense-related operating contractors stress competition in awarding subcontracts and establish a common definition of competition to ensure consistent application and reporting among operating contractors. In developing this definition, DOE should consider the requirements of federal procurement statutes and regulations.
Status: Action not yet initiated. DOE has not yet commented on this recommendation.

Recommendation: The Secretary of Energy should ensure that DOE defense-related operating contractors stress competition in awarding subcontracts and enforce the DOE procedure that the DOE operating contractors publish notices in the Commerce Business Daily for all proposed procurements over $100,000 with certain exceptions, as specified in the Federal Acquisition Regulation.
Status: Action not yet initiated. DOE has not yet commented on this recommendation.

Recommendation: The Secretary of Energy should ensure that DOE defense-related operating contractors stress competition in awarding subcontracts and establish standard procedures for operating contractors to follow in seeking to obtain competition, including requirements to conduct and document thorough market searches. In addition, the Secretary should establish a task force to study whether or not the operating contractors' administrative costs of extending the requirement for publishing notices to procurements between $25,000 to $100,000 outweigh the benefits resulting from increased competition.
Status: Action not yet initiated. DOE has not yet commented on this recommendation.

Recommendation: The Secretary of Energy should ensure that DOE defense-related operating contractors stress competition in awarding subcontracts and regularly review contractors' use of B-items and integrated contractor orders to ensure that the noncompetitive status of procurements that are exempted from competition is justified.
Status: Action not yet initiated. DOE has not yet commented on this recommendation.

Recommendation: The Secretary of Energy should develop uniform, minimum anti-kickback procedures to be used in implementing the Anti-Kickback Enforcement Act of 1986. These procedures should be consistent with the government-wide procedures being developed by the General Services Administration and expeditiously incorporated into DOE defense-related operating contracts.
Status: Action not yet initiated. DOE has not yet commented on this recommendation.

Recommendation: The Secretary of Energy should require contractors to implement practices consistent with the Prompt Payment Act and maintain records to allow evaluation of their practices.
Status: Action not yet initiated. DOE has not yet commented on this recommendation.

Recommendation: The Secretary of Energy should require DOE operations office managers to evaluate contractor payment practices as part of their contractor procurement system reviews. This would include follow-up of any promised corrective actions.
Status: Action not yet initiated. DOE has not yet commented on this recommendation.

Energy Information, Policy, and Regulation

Nuclear Waste: A Look at Current Use of Funds and Cost Estimates for the Future

RCED-87-121, 08/31/87

Background

In response to a congressional request, GAO reviewed the Department of Energy's (DOE) nuclear waste management program to: (1) compare the use of fiscal year (FY) 1985 program funds with the approved budget; (2) assess the effects of schedule delays on program costs; and (3) assess the life-cycle cost estimates.

Findings

GAO found that: (1) although Congress appropriated $327.7 million from the Nuclear Waste Fund for FY 1985, DOE moved $12 million to other waste management subprograms and used $219.3 million for the first repository subprogram; (2) because of delays in completing environmental assessments and site selections, the first repository project offices could not accomplish many activities planned during FY 1985; (3) the additional funds required to complete the assessments and activities substantially increased the cost of the first repository subprogram; (4) schedule delays compressed milestones and caused concerns over the ability of DOE to meet the original milestones without sacrificing quality; (5) DOE cost estimates have changed significantly due to uncertainty over the final design, construction, and operation of the waste system; and (6) since DOE based its spent fuel projections and revenue estimates on long-range forecasts of economic activity and energy demand, overestimating future industry growth may result in DOE building an unnecessarily large waste disposal system and setting fees too low to produce revenues at the rate needed to cover total program costs.

Open Recommendations to Agencies

Recommendation: For waste system planning, including life-cycle cost analyses and fee adequacy determination, the Secretary of Energy should base long-range projections of spent fuel inventories for commercial nuclear power plants on the nuclear generating capacity of operating commercial nuclear plants and plants that are actively progressing through Nuclear Regulatory Commission licensing and construction.
Status: Recommendation valid/action not intended. DOE commented that basing waste system planning and cost and revenue analyses on actual nuclear power plants oversimplifies the task of projecting system requirements and fee adequacy. This approach, DOE stated, would increase, rather than decrease, uncertainty regarding the waste system and fee adequacy. DOE plans no action.

Energy Supply

Improvements Needed in the Department of the Interior's Measurement of Offshore Oil for Royalty Purposes

RCED-84-78, 04/30/84

Background

Pursuant to a congressional request, GAO reviewed the Department of the Interior's activities relating to the measurement of oil produced on the Outer Continental Shelf, focusing on: (1) identifying the procedures Interior uses to ensure that offshore oil production is measured accurately for royalty purposes; (2) determining whether offshore operators are complying with regulations concerning the accuracy of production measurement devices; (3) determining whether Interior uses production measurement data to ensure

that sales volumes are reported accurately; and (4) reviewing the extent to which data are being considered for inclusion in the new Automated Royalty Management Program.

Findings

GAO found that, although regulations require that offshore operators test production measurement devices and report test results to Interior on a monthly basis, the Minerals Management Service (MMS) did not receive approximately 30 percent of the required reports during 1982. Further, MMS did not: (1) identify from test results some meters that were not functioning properly; (2) follow up on meters that were reported as operating improperly; or (3) take corrective measures, such as adjusting reported sales volumes for federal royalty purposes. MMS officials attributed the lack of control over test results to a shortage of personnel and indicated that an automated system for receipt, review, and follow-up of information might be the solution. Although Interior is developing two nationwide automated royalty management systems, it does not plan to include detailed meter-testing data to verify the accuracy of offshore oil sales volumes in either system. MMS plans to include this type of data in its regional automated information system, which may be used in conjunction with the nationwide systems. GAO believes that further measures will be needed in conjunction with the automated systems to fully ensure that accurate data are being used to compute royalties.

Open Recommendations to Agencies

Recommendation: To better ensure that sales volumes are accurately reported for royalty payment purposes in the Gulf of Mexico Region, the Secretary of the Interior should require the Director, MMS, to implement plans for improved receipt and review of meter-testing reports and make greater use of the data it receives for this purpose. Through the use of additional staff recently assigned and adoption of automation, to the extent possible, meter-testing reports should be matched with run tickets on a selective basis.
Status: Action in process. Estimated completion date: 01/89. Interior has matched a sample of meter-testing reports to run tickets. Currently, it is trying to reconcile the differences until a computerized system is operational.

Recommendation: When the Auditing and Financial System and the Production Accounting and Auditing System (PAAS) becomes fully operational, the Secretary of the Interior should require the Director, MMS, to use the meter-testing and run ticket data from its Gulf of Mexico Region's automated information system in conjunction with PAAS, to verify that reported sales volume measurements are accurate by matching meter-testing reports with run tickets as a routine audit procedure.
Status: Action in process. Estimated completion date: 01/89. Interior developed a Production Verification Task Force to design an automated production data system, which will be fully computerized in order to complete a 100-percent verification of the meter-testing reports with run tickets. MMS plans to have the computer software by July 1988 and have the system fully operational by January 1989.

Energy Supply

Further Actions Needed To Improve Emergency Preparedness Around Nuclear Powerplants

RCED-84-43, 08/01/84

Background

GAO reported on the adequacy of federal, state, and local offsite emergency planning and preparedness for mitigating the consequences of a nuclear power plant accident.

Findings

GAO concluded that, although progress has been made since the Three Mile Island accident in 1979, more can and should be done. GAO found that state and local emergency preparedness plans were developed and tested for all 54 operating nuclear power plant sites, and 24 of these met the federal criteria and were approved by the Federal Emergency Management Agency (FEMA). The reasons that the remaining plans have not been approved relate to their not meeting federal criteria, some local communities not fully participating in the emergency planning process, and

the difficulty some state and local governments experienced in obtaining funding for emergency planning and preparedness. In addition, GAO found that improvements are needed in the exercises conducted to test the adequacy of state and local planning and preparedness. FEMA and the Nuclear Regulatory Commission (NRC) rely on states and utilities to plan preparedness tests, but FEMA does not verify the compliance of preparedness plans with federal criteria, and it does not have an agencywide tracking system for ensuring that deficiencies are identified. Finally, GAO found that agencies need to provide better guidance to state and local governments for developing state and local emergency preparedness plans, and that the federal response plan for nuclear power plant emergencies can be improved by providing for more centralized federal agency control and coordination.

Open Recommendations to Agencies

Recommendation: The Director, FEMA, should, in consultation with states, develop minimum requirements for exercise scenarios and identify which elements of the federal criteria are most important and must be given priority in exercises.
Status: Action in process. FEMA is preparing a letter to the Comptroller General on how this recommendation has been implemented. The letter is expected by February 29, 1988.

Recommendation: The Director, FEMA, should work through the Federal Radiologicial Preparedness Coordinating Committee to update and expand guidance on using radiation measurement instruments and interpreting the information obtained.
Status: Action in process. FEMA is preparing a letter to the Comptroller General on how this recommendation has been implemented. The letter is expected by February 29, 1988.

Recommendation: The Director, FEMA, should work through the Federal Radiological Preparedness Coordinating Committee to improve existing radiological emergency training for state and local officials.
Status: Action in process. FEMA is preparing a letter to the Comptroller General on how this recommendation has been implemented. The letter is expected by February 29, 1988.

Energy Supply

Nuclear Regulation: Oversight of Quality Assurance at Nuclear Power Plants Needs Improvement

RCED-86-41, 01/23/86

Background

GAO reviewed the Nuclear Regulatory Commission's (NRC) efforts to: (1) identify declining performance trends in the operation of nuclear power plants that indicate the need for corrective action by utilities; and (2) require utilities to upgrade quality assurance programs when deficiencies are observed.

Findings

GAO found that NRC assessments have provided the agency and utilities with a useful perspective on the total operational effectiveness of nuclear power plants; however, they are limited in scope and could be more useful in promoting early detection of utility management weaknesses if the agency expanded the analyses and the way the assessment reports are used. In addition, GAO found that: (1) NRC decisions to require 12 utilities to upgrade their management capabilities and performance generally followed either numerous inspection violations or equipment failures; (2) these decisions were not made on a consistent basis because of the discretionary authority granted to regional offices and a lack of criteria to mandate improvement programs or documentation of why they are not warranted; (3) NRC could improve the use of the individual assessment reports, which identify utility management weaknesses by analyzing the results of the assessments over a number of years; and (4) NRC could gain a more accurate picture of how well a utility operates its nuclear plants by including plant operating data and reports of safety or operating incidents in its periodic assessments.

Open Recommendations to Agencies

Recommendation: The Chairman, NRC, should expand the information

considered in periodic assessments to include readily available data on trends in nuclear power plant operating performance.
Status: Action in process. NRC initiated a Performance Indicator Program late in 1986 to provide quarterly reports on operating events, such as safety system failures and forced outages. NRC is formulating a position on whether trends in nuclear power plant operating performance indicators should be included in the SALP process. The NRC staff position is under review by the Commission.

Energy Supply

Nuclear Waste: Department of Energy's Program for Financial Assistance

RCED-86-4, 04/01/86

Background

GAO evaluated the Department of Energy's (DOE) program to provide grants under the Nuclear Waste Policy Act of 1984, focusing on: (1) DOE decisions on who received grants and for what activities; (2) the level of assistance provided; and (3) DOE grant administration and oversight.

Findings

The act provides that state and public participation in the repository program is essential to promote public confidence in the safety of radioactive waste disposal. Financial assistance grants to the affected parties are a way to ensure this participation. DOE has used its discretionary funding authority to award grants to second repository states, national associations, and Indian tribes. The guidelines which provide general policy guidance for grant awards and administration of the repository programs, have not ensured consistent decisions on who receives grants and what activities are funded. In some instances, DOE decisions on grant awards have been influenced more by budgetary considerations than by grantees' needs. GAO believes that: (1) incorporating consideration of grantees' projected needs into program budget planning could help DOE more realistically anticipate those needs; (2) congressional oversight of the financial assistance program could be better facilitated if DOE presented specific budget estimates on the funding it expects to provide for the first and second repository programs and other parties; and (3) with more realistic budgets, DOE could focus on grantee application merits in making funding judgments. Although DOE regulations describe the grantee requirements and provide an opportunity to request a waiver of the requirements, grantees have neither consistently complied with nor requested waivers of the requirements, and DOE has not enforced them.

Open Recommendations to Agencies

Recommendation: To help ensure consistent program evaluation, the Secretary of Energy should direct the Director, Office of Civilian Radioactive Waste Management (OCRWM), to better define what activities should be funded in OCRWM internal grant guidelines for first- and second-repository states.
Status: Action in process. OCRWM provided draft financial assistance guidelines to states and Indian tribes for review and comment in the fall of 1986. OCRWM has since released subsequent drafts and a comment response document for further review by interested parties. Once comments are received, OCRWM will initiate financial assistance rulemaking procedures.

Financial Management and Information Systems

Department of Commerce's Second-Year Efforts To Implement the Federal Managers' Financial Integrity Act

RCED-86-21, 11/05/85

Background

GAO reviewed the Department of Commerce's second-year implementation of the Federal Managers' Financial Integrity Act and assessed: (1) Commerce's progress in implementing actions to correct internal control weaknesses and in improving its internal control evaluation process; (2) Commerce's progress in correcting accounting systems' areas of nonconformance with the Comptroller General's principles and standards and in improving its evaluation of accounting systems; and (3) the reasonableness of the Secretary's annual report on internal controls and accounting systems.

Findings

GAO found that, although Commerce is acting to correct internal control problems and its evaluation process for internal controls, it needs to strengthen its process for assessing vulnerabilities and testing. The Secretary's report identified material weaknesses in its economic development business loan program and property management system and outlined plans to correct them. Commerce made progress in establishing processes to evaluate its internal controls by: (1) issuing guidelines for evaluating and reporting on internal control systems; (2) conducting quality assurance reviews; and (3) establishing a tracking system for corrective actions. However, because the forms Commerce used to conduct vulnerability assessments were general and did not always include risks specific to the assessed activity, its vulnerability assessments did not fully identify and describe the significant risks. GAO also found that: (1) some reviews did not completely test accounting systems to determine whether they operated as intended; and (2) quality assurance evaluation reviews were conducted after testing was completed. GAO believes that Commerce is not in a sound position to accurately determine overall system conformance, since most of its systems were not adequately tested in operation.

Open Recommendations to Agencies

Recommendation: The Secretary of Commerce should direct the Assistant Secretary for Administration to provide criteria for evaluating ADP activities, data center operations, data origination, input, and processing.

Status: Action in process. Estimated completion date: 01/88. Commerce plans to have specific criteria for bureau use by December 1987. Commerce is continuing to do approximately three oversight ADP security reviews a year. A management-by-objective tracking system for each bureau was established for the ADP security system.

CPA Audit Quality: Many Governmental Audits Do Not Comply With Professional Standards

AFMD-86-33, 03/19/86

Background

In response to a congressional request, GAO reviewed the quality of certified public accountants (CPA) audits of federal assistance programs.

Findings

GAO found that: (1) CPA did not satisfactorily comply with auditing standards on 34 percent of the

governmental audits they performed; (2) more than half of the unsatisfactory audits had severe standards violations; (3) two predominant CPA problems were insufficient audit work or working paper evidence showing testing of compliance with laws and regulations and evidence showing studies and evaluations of internal controls; and (4) smaller CPA firms had greater problems than larger firms in satisfactorily complying with standards. GAO believes that, to improve the quality of governmental audits: (1) CPA must have the expertise to perform governmental audits; (2) the profession should develop and maintain positive enforcement programs to randomly or periodically review CPA who perform poor quality audits; (3) the profession should work actively with the inspectors general (IG) to improve the systems that IG have for reviewing, compiling, analyzing, and using data on individual audits to identify and correct trends or patterns of quality problems; and (4) state boards of accountancy and the American Institute of Certified Public Accountants should act promptly and decisively to address professional standards violations referred to them.

Open Recommendations to Agencies

Recommendation: The Director of the Office of Management and Budget (OMB) should establish, consistent with the Single Audit Act, more definitive criteria for prohibiting the cost of substandard audits to be charged to federally assisted programs.
Status: Recommendation valid/action not intended. OMB has not followed through on its stated intentions to address this issue.

Internal Controls: Weaknesses in HUD's Single Family Housing Appraisal Program

RCED-87-165, 09/30/87

Background

GAO analyzed the Department of Housing and Urban Development's (HUD) efforts to correct weaknesses in its single family housing appraisal program.

Findings

GAO found that HUD: (1) selected appraisals for review without a systematic, statistical sample; (2) did not meet the requirements of its present review program; and (3) used fee appraisers to perform field reviews of other appraisers' work, despite indications that this practice increased the potential for fraud, waste, and abuse. GAO also found that HUD field offices: (1) overrode random computer selections of appraisers and assigned them manually without adequate supervision or documentation; (2) did not provide regularly scheduled training for fee appraisers; and (3) failed to terminate appraisers who were performing unsatisfactorily.

Open Recommendations to Agencies

Recommendation: The Secretary of Housing and Urban Development should direct the Assistant Secretary for Housing to develop, at field offices where it is cost-beneficial, a systematic plan with a sound methodological basis, such as statistical sampling, to produce accurate estimates of the appraisal quality at each of its field offices. In conjunction with the development and implementation of this plan, the Assistant Secretary should ensure that each field office will continue to identify the poor performers and, if necessary, in the large offices use some of the reviews no longer needed for general oversight to monitor their performance.
Status: Action in process. A consultant under contract to HUD has determined that a sound sampling plan would be beneficial at all but the smallest field offices. It plans to field test a sampling plan at four field offices early in December 1987.

Recommendation: The Secretary of Housing and Urban Development should direct the Assistant Secretary for Housing to take action to intensify efforts to use HUD staff to perform field reviews, and allow fee appraisers to be used for this purpose only on an exception basis, especially in those offices where the statistical plan reduces the required number of reviews.
Status: Action not yet initiated. HUD plans to explore the feasibility of increased staffing to perform field reviews.

Recommendation: The Secretary of Housing and Urban Development should direct the Assistant Secretary for Housing to take action to stress to the field offices the importance of using required checks when fee appraisers are doing field reviews. These checks include having HUD staff: (1) review appraisals done by the field reviewer; and (2) examine reviews done by the field reviewer.
Status: Action in process. HUD planned to issue a directive in late November 1987 that would result in guidance responsive to this recommendation.

Recommendation: The Secretary of Housing and Urban Development should direct the Assistant Secretary for Housing to take action to improve the manner by which field reviews are performed, rated, and documented, especially by increasing the number of field reviews with interior reviews, implementing general criteria for use by the reviewer in determining the appraisal's rating, and requiring more documentation of the rationale or reason for the rating on the field review form.
Status: Action in process. HUD planned to issue a directive in late November 1987 that would result in guidance responsive to this recommendation.

Recommendation: The Secretary of Housing and Urban Development should direct the Assistant Secretary for Housing to require field offices to use panels to select the most qualified appraisers for fee panels.
Status: Action in process. HUD planned to issue a directive in late November 1987 that would result in guidance responsive to this recommendation.

Recommendation: The Secretary of Housing and Urban Development should direct the Assistant Secretary for Housing to require that the three field offices GAO visited provide training to appraisers who receive unsatisfactory ratings, and document in the appraisers' personnel files that such training and counseling has taken place.
Status: Action in process. HUD planned to issue a directive in late November 1987 that would result in guidance responsive to this recommendation.

Recommendation: The Secretary of Housing and Urban Development should direct the Assistant Secretary for Housing to alert the other field offices of the need to provide and document similar training and counseling.
Status: Action in process. HUD planned to issue a directive in late November 1987 that would result in guidance responsive to this recommendation.

Recommendation: The Secretary of Housing and Urban Development should direct the Assistant Secretary for Housing to improve the documentation and supervision controls within the single-family housing appraisal program by: (1) developing override codes that are sufficiently explanatory to trace the validity of the override; and (2) using the special override runs available in the Computerized Home Underwriting Management System (CHUMS) to permit better supervision of the assignment process.
Status: Action not yet initiated. Action responsive to this recommendation has to be coordinated and developed with the Assistant Secretary for Administration, who has responsibility for information systems.

Recommendation: The Secretary of Housing and Urban Development should direct the Assistant Secretary for Housing to ensure that field office assignment clerks are adequately trained on CHUMS and on the process for overriding CHUMS appraiser assignments.
Status: Action in process. Estimated completion date: 03/88. HUD plans to provide follow-up CHUMS training for assignment clerks and chief appraisers in the first quarter of fiscal year 1988. The training will address the issue of overriding the appraiser assignment.

Accounting Systems in Operation

Oil and Gas Royalty Collections—Longstanding Problems Costing Millions

AFMD-82-6, 10/29/81

Background

GAO reviewed the U.S. Geological Survey's (USGS) continued unsuccessful efforts to collect oil and gas royalties on federal and Indian lands and the serious impact of this problem on the collection of the windfall profit tax.

Findings

Financial management problems in existence 20 years ago persist today because management has not focused on correcting reported deficiencies. As a result, USGS is not collecting all oil and gas royalties, and millions of dollars owed the government may be going uncollected each year. Moreover, millions of dollars in royalty income are not being collected when due, thereby increasing the government's interest costs. Since 1959, GAO has reported on the need for improved management of the USGS royalty accounting system. USGS still relies almost entirely on production and sales data reported by the oil and gas companies, and little effort is made to verify the accuracy of that data. Because of a breakdown in the royalty accounting system, lease account records are inaccurate, unreliable, and cannot be used to determine if royalties are properly computed and paid. To correct its many long-standing financial management problems, USGS has established royalty management as a separate entity, hired additional personnel for royalty management, and is designing and implementing a new royalty accounting system. Royalty collection has been further complicated by the windfall profit tax. USGS filed blank quarterly returns for the first quarter of 1981 and has not filed a return for the quarter ended June 30, 1981. Until the new royalty accounting system is working properly, the accuracy of royalty computation will be a problem. Since windfall profit tax calculations are based on royalty payments, they will be incorrectly stated to the extent that royalties are incorrectly stated.

Open Recommendations to Agencies

Recommendation: To ensure that development of the new royalty accounting system is given high priority and sustained effort, the Secretary of the Interior should closely monitor the work to see that the system is properly implemented. In this regard, immediate attention must be given to determining how the production phase will operate and how it will interface with the accounting phase which is currently being designed. Also, in developing the accounting phase, USGS must acquire data on the number of leases and wells for which it is responsible and provide for verification of the royalty computation. The necessary resources must be provided and milestones must be strictly adhered to.
Addressee: Department of the Interior
Status: Action in process. The Department of the Interior tested a production reporting system during 1984 and implemented it in February 1985 for all offshore, and a few onshore, leases. A decision was recently made to modify an existing reporting requirement to satisfy this system need. Implementation is to begin in October 1988.
Addressee: Department of the Interior: Geological Survey
Status: Action in process. Interior tested a production reporting system during 1984 and implemented it in February 1985 for all offshore, and a few onshore, leases. A decision was recently made to modify an existing reporting requirement to satisfy this system need. Implementation is to begin in October 1988.

Recommendation: To gain control over information reported by the oil and gas companies, the Secretary of the Interior should direct USGS to include in its current redesign effort a plan which should provide for: (1) establishment of a detailed audit plan for periodic reviews of lease accounts and oil and gas companies' accounting records; (2) devotion of additional resources to the inspection of leases using field inspectors to help verify data reported; (3) coordination with the states to arrange the sharing of the audit and lease inspection function and the exchange of production and sales information; (4) reconciliation of existing lease account records to the extent possible; (5) identification of staff needs and resources for assessing interest on late payments; and (6) faster deposit of royalty payments using electronic funds transfer when possible.
Status: Action in process. Interior is developing an audit strategy directed for lease and company audits. Specific applications have yet to be developed; however, Interior: (1) delegated audit responsibility to states and Indian tribes; (2) began to charge late payment interest; and (3) devoted more resources to site inspections.

Accounting Systems in Operation

Second-Year Implementation of the Federal Managers' Financial Integrity Act in the Department of Education

HRD-85-78, 09/26/85

Background

GAO reviewed the Department of Education's efforts to implement and comply with the Federal Managers' Financial Integrity Act of 1982 (FIA).

Findings

GAO found that: (1) Education's second-year implementation of the act identified some new internal control weaknesses; (2) Education's progress in evaluating accounting systems in 1984 provided a better basis for reporting; (3) there were insufficient internal controls to prevent unauthorized access and manipulation; (4) Education excluded important program areas from vulnerability assessment coverage and did not effectively focus its assessment of remaining areas on potential risk of fraud; and (5) reviews performed on many major programs have been ineffective for determining the adequacy of internal controls. GAO also found that: (1) there was little assurance that corrective actions would be taken because Education did not have a complete inventory of identified material weaknesses; (2) a methodology for assessing automated systems' internal controls has not been developed; (3) Education did not ensure effective implementation of internal control activities by its program offices; (4) six of Education's largest systems did not conform with the Comptroller General's requirements; and (5) there was no adequate basis to state whether Education's system of internal controls, taken as a whole, conformed to the act's objectives.

Open Recommendations to Agencies

Recommendation: The Secretary of Education should complete separate internal control evaluations of its major automatic data processing (ADP) systems to establish a more meaningful basis for future reporting on the adequacy of ADP internal control systems.
Status: Action in process. Criteria and procedures for performing internal control reviews on ADP systems were drafted; however, no ICR were performed.

Recommendation: The Secretary of Education should direct program and administrative offices to expand testing to all accounting systems not undergoing substantial modifications and include the use of hypothetical transactions in testing.
Status: Action in process. Education started to review and test accounting systems.

Accounting Systems in Operation

EPA-FMFIA: EPA's Implementation of the Federal Managers' Financial Integrity Act

RCED-86-34, 11/13/85

Background

GAO reviewed the Environmental Protection Agency's (EPA) second-year implementation of the Federal Managers' Financial Integrity Act (FIA), focusing on: (1) improvements in EPA internal controls and the process EPA uses to evaluate and correct internal control weaknesses; (2) the status of the EPA accounting system and evaluations made to determine whether it conforms to the Comptroller General's requirements for such systems; and (3) the accuracy and completeness of the EPA annual FIA report.

Findings

GAO found that, while EPA has made progress in evaluating and improving its internal controls, it did not have an adequate basis for reporting that its systems of internal control met the objectives of FIA because: (1) the material weaknesses EPA reported for 1984 encompassed over 60 percent of its budget; (2) EPA failed to identify two uncorrected material weaknesses in its Superfund and Resource Conservation and Recovery Act programs that it reported in 1983; (3) EPA failed to identify material weaknesses in its automatic data processing (ADP) activities; (4) EPA did not uniformly implement its FIA process throughout the agency; and (5) EPA failed to perform internal control reviews (ICR) for a number of highly vulnerable program areas. GAO also found that EPA did not: (1) have an adequate basis to report that its accounting system was in conformance with the Comptroller General's requirements; (2) properly record and charge certain contract costs; (3) properly deobligate unspent grant funds; (4) establish documentation and data controls for its payroll accounting subsystem; (5) completely correct material weaknesses in its accounting system that it reported in 1983; or (6) adequately test its accounting system in operation to ensure conformance.

Open Recommendations to Agencies

Recommendation: To more effectively implement the FIA process and to provide a stronger basis to report on the status of EPA internal controls, the Administrator, EPA, should fully define the role of EPA program managers in the FIA process, with a view toward having managers be more involved in evaluating internal controls.
Status: Action in process. Estimated completion date: 01/88. EPA established the Resource Management Division to coordinate, monitor, and provide guidance for FIA implementation. Order 1000.24 FIA instructions have been revised, but they have not been published and distributed.

Recommendation: To ensure that the accounting system evaluation made under FIA is thorough and comprehensive, the Administrator, EPA, should properly record letter-of-credit payments.
Status: Action in process. Estimated completion date: 01/88. EPA agreed with this recommendation. It is currently testing revisions and modifications to its financial management systems to comply with this recommendation.

Accounting Systems in Operation

Financial Integrity Act: The Government Faces Serious Internal Control and Accounting Systems Problems

AFMD-86-14, 12/23/85

Background

As part of its second governmentwide report on the Federal Managers' Financial Integrity Act of 1982 (FIA), GAO reviewed the internal control and accounting system problems facing the government and highlighted the problems which have hindered federal agency efforts to implement FIA.

Findings

GAO noted that: (1) widespread and long-standing weaknesses and breakdowns in agency internal controls continue to result in wasteful spending, poor management, and losses involving billions of dollars in federal funds; (2) internal control weaknesses have also made outright fraud more feasible; and (3) inadequate agency accounting systems and financial reports have contributed to the government's dilemma. GAO found that: (1) agencies reported that 53 percent of their accounting systems were not in conformance with the Comptroller General's requirements; (2) serious internal control problems continue in such areas as weapon systems procurement, social security, property management, and automatic data processing; (3) agencies have also reported that thousands of less serious weaknesses have been corrected which were collectively important and could have led to fraud, waste, and abuse; and (4) programs to evaluate internal control systems have not yet evolved to the point that agencies know whether their controls are adequate. GAO also found that: (1) although federal agencies generally identified their problems, their annual reports did not always provide an accurate, clear assessment of the overall status of their systems; (2) there is an inadequate basis for reporting on internal control weaknesses because the

Office of Management and Budget (OMB) has not changed its reporting guidance, as GAO recommended; and (3) agency programs which evaluate internal control and accounting systems need further strengthening to ensure that weaknesses are identified and corrected.

Open Recommendations to Agencies

Recommendation: The Director, OMB, should implement the prior recommendation to strengthen annual internal control reporting guidance to agencies. OMB must ensure that agencies disclose the bases for their positions on reasonable assurance, considering the weaknesses identified and the scope of evaluations. Specifically, OMB should revise internal control reporting guidance to incorporate the "except-for" reporting format of the House Committee on Government Operations whereby agencies would clearly disclose the significance of those systems which: (1) do not meet the act's requirements; and (2) have not yet been evaluated and for which the agency does not know whether or not they comply with the act's requirements.
Status: Action taken not fully responsive. Although reporting guidance was changed and improved to some degree, current guidance does not adequately provide for full disclosure on reasonable assurance, such as the use of an "except-for" format rather than a "taken-as-a-whole" format. GAO replied to a request for suggestions on reporting guidance. OMB did not include the "except-for" language in its reporting guidance for FIA reports.

Recommendation: The Director, OMB, should require that, for agency heads to elect the "taken-as-a-whole" reporting format, they must clearly demonstrate that those systems that do not comply, or have not been adequately evaluated, are not of such significance as to detract from the credibility of an opinion on the agency as a whole.
Status: Action taken not fully responsive. Although reporting guidance was changed and improved to some degree, current guidance does not adequately provide for full disclosure on reasonable assurance, such as the use of an "except-for" format rather than a "taken-as-a-whole" format. GAO replied to a request for suggestions on reporting guidance. OMB did not include the "except-for" language in its reporting guidance for FIA reports.

Recommendation: The Director, OMB, should strengthen its guidance for reporting on accounting system conformance so that the annual report will clearly disclose the condition of an agency's accounting systems, applying the same criteria outlined for reporting on internal control systems. It should be clear which systems conform, which ones do not, and which ones have not been evaluated so that a conformance statement can be provided.
Status: Action taken not fully responsive. Reporting guidance was changed and OMB now recognizes two distinct variations of "except-for" reporting which agencies can use to report on accounting systems' conformance. However, the guidance should be more prominently highlighted in either OMB Circular A-127 or OMB questions and answers to ensure that these reporting options are not overlooked by the agencies.

Accounting Systems in Operation

Debt Collection: Air Force Efforts To Collect Debts From Former Service Members

AFMD-86-48BR, 04/30/86

Background

In response to a congressional request, GAO provided information on the Air Force's efforts to collect debts former service members owed it.

Findings

GAO found that: (1) during the past 5 years, debts increased significantly; (2) collection rates fluctuated and then decreased; (3) enlistment/reenlistment bonuses paid to ineligible service members accounted for the majority of the debts; and (4) the Air Force is designing a new accounts-receivable system, which it expects to implement by November 1987. GAO also found that: (1) receivables from enlistment/reenlistment bonuses will most likely increase in the future because the Air Force will increase the

amount of bonus paid upon reenlistment from 50 percent to 75 percent; (2) the Air Force identifies many debts when members leave the service early; (3) the Air Force has contracted with collection agencies to recover delinquent funds; and (4) the Air Force plans to offset debts against income tax refunds.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Secretary of the Air Force to closely monitor efforts to develop and implement a new accounts-receivable system to ensure that known problems are corrected and development efforts are completed without significant slippage to established milestones.
Status: Action in process. A new system is being closely monitored and reported in the Air Force Commanders' Annual Statement on Internal Controls under section II of the Federal Managers' Financial Integrity Act. The Out-of-Service System is scheduled for implementation in late November 1987.

Accounting Systems in Operation

Debt Collection: Billions Are Owed While Collection and Accounting Problems Are Unresolved

AFMD-86-39, 05/23/86

Background

Pursuant to a congressional request, GAO: (1) reviewed selected federal agencies' efforts to implement the Debt Collection Act of 1982 and improve debt collection; and (2) evaluated agency systems that account for debts owed the government.

Findings

GAO noted that the largest portion of government debts related to loan programs, such as those for farming, housing, and education and, therefore, it reviewed the practices of the Departments of Education and Housing and Urban Development (HUD), the Farmers Home Administration (FmHA), and the Veterans Administration (VA). GAO found that agencies failed to: (1) consistently make progress in implementing improved debt collection procedures due to management priorities, system capability limitations, management uncertainty, and regulations; (2) report delinquent individual debtors to credit reporting agencies; (3) efficiently use private collection agencies' services; (4) collect delinquent debts by offsetting salaries of, or payments to, federal employees; and (5) assess interest, penalties, or administrative costs on delinquent debts. GAO also found that agencies' accounting systems often failed to provide management with current and accurate information on the status of debts owed to the government.

Open Recommendations to Congress

Recommendation: Congress should amend the Debt Collection Act of 1982 reporting requirements to provide that agencies shall, as part of their annual budget submissions: (1) report on their progress in implementing provisions of the act and other related debt collection initiatives; (2) disclose, on a program-by-program basis, the types of data listed in the act, for example, the amount of their receivables, age of delinquent debts, and amounts written off as uncollectible; and (3) set out their goals, both monetary and programmatic, for improving collections and reducing delinquencies and write-offs.
Status: Action in process.

Recommendation: Congress should amend the Debt Collection Act of 1982 to require federal agencies, except where they can provide to Congress reasons for not doing so, to implement improved credit management techniques, such as those discussed in this report, and debt collection practices, including a requirement to report information about individuals and businesses with delinquent debts to credit reporting agencies and to refer delinquent debtors to private collection contractors.
Status: Action in process.

Recommendation: Congress should amend the Debt Collection Act of 1982 to explicitly authorize the Internal Revenue Service (IRS) to provide taxpayer address information to agencies pursuing debt collection activities under authorities other than the Federal Claims Collection Act.
Status: Action in process.

Recommendation: Congress should amend the Debt Collection Act of 1982 to permit the notice and hearing procedural requirements for involuntary routine salary adjustments for federal employees to be completed after offset occurs.
Status: Action in process.

Recommendation: Congress should amend the Debt Collection Act of 1982 to require agencies to accurately prepare financial reports on their programs that generate receivables, including a requirement for operating statements, statements of financial position, and cash flow statements.
Status: Action not yet initiated.

Recommendation: Congress should amend the Debt Collection Act of 1982 to require agencies to have their Inspectors General, or other appropriate organizations, periodically evaluate their systems of accounting for and reporting on receivables, and annually audit the financial reports containing receivables information to help ensure continued reliability of financial data on amounts owed, and to strengthen the control environment under which debt programs operate.
Status: Action not yet initiated.

Recommendation: Congress should consider amending the Debt Collection Act to provide agencies with additional incentive to collect debts. Options available to Congress include managerial incentives, such as: (1) holding managers more strictly accountable for attaining debt collection objectives and targets; (2) developing awards programs for improved collection practices; and (3) requiring annual evaluations of credit management and debt collection program operations.
Status: Action in process.

Open Recommendations to Agencies

Recommendation: The Secretary, HUD, should require that managers of the Single Family Assignment Program refer information on those debtors who do not meet their repayment schedules to credit-reporting agencies.
Status: Action in process. HUD included credit bureau reporting in a request for proposals for a new contract to replace its Single Family Notes System. Testing of credit bureau referrals is planned for late November 1987. Full implementation is scheduled for December 1987.

Recommendation: The Secretaries of HUD and Education should begin selling portions of their loan portfolios when deemed to be advantageous to the government.
Addressee: Department of Housing and Urban Development
Status: Action in process. HUD is exploring the feasibility of Single Family and Title I Notes Sales. The fiscal year (FY) 1987 multifamily sale was cancelled by a federal court order. HUD is pursuing an alternative.

Recommendation: The Administrator, FmHA, should require that program managers refer information on delinquent debtors to credit reporting agencies, and implement administrative offset.
Status: Action in process. Administrative offset regulations were published in November 1986. FmHA is developing system capabilities to begin reporting housing loans in late November 1987.

Recommendation: The Secretary of Education should take whatever steps are necessary to assess, or enable Education to assess, interest, penalties, and administrative costs under the Debt Collection Act of 1982 on defaulted student loans.
Status: Action in process. Education will consider requesting legislative changes, which would allow it to charge penalties and interest. The system was changed to assess administrative costs, effective October 1, 1987.

Recommendation: The Secretaries of Education and HUD, and the Administrators of FmHA and Veterans Affairs, should strengthen their receivables accounting and control systems in order to produce accurate and reliable information on the amount of debt owed to the government by ensuring that systems that account for and control receivables conform to Comptroller General and OMB requirements.
Addressee: Department of Education
Status: Action in process. Education purchased a standard off-the-shelf system for the College Housing Loan and Higher Education Facilities Loan Programs, as well as other receivables.
Addressee: Department of Housing and Urban Development
Status: Action in process. HUD hired an independent contractor who is conducting a number of internal control reviews of its receivable accounting and control systems.
Addressee: Farmers Home Administration
Status: Action in process. FmHA is developing a new loan and grant accounting system. The target date for implementation is 1989.

Recommendation: The Secretary, HUD, should explore the use of involuntary salary deductions in the Single Family Assignment Program.
Status: Action in process. HUD is developing processes to implement federal employee salary offsets for single family mortgages held by HUD. Matches were made on active and retired federal

employees in the OPM data base and with the Department of Defense.

Recommendation: The Secretary, HUD, should require that all program managers comply with the act's interest, penalty, and administrative cost requirements.
Status: Action in process. HUD plans to start assessing penalties and administrative costs in the Title I Program by the end of FY 1988. Title I debts referred to private collection agencies are assessed a 10-percent administrative cost.

Recommendation: The Administrator, FmHA, should require, where applicable, that program managers: (1) assess interest, penalties, and administrative costs; (2) implement the salary offset provision; and (3) explore selling portions of the FmHA loan portfolio. In carrying this out, FmHA may, under the Federal Claims Collection Standards, give appropriate consideration of any undue financial hardships that might result from its use of the particular collection tools available to it, especially in view of the current farm crisis.
Status: Action in process. FmHA: (1) is developing the capability to assess interest, penalties, and administrative costs in its new accounting system, to be completed in 3 years; (2) is developing interest, penalty, and administrative cost requirements; (3) published salary offset requirements and plans offset in late November 1987; and (4) sold about $1 billion in loans in September 1987.

Recommendation: The Administrator of Veterans Affairs should raise the 4-percent interest rate currently charged on defaulted home loan guaranty cases.
Status: Action in process. VA is currently putting the necessary systems in place to raise the interest rate to the governmentwide standard for interest rates on delinquent debts. No target date was established, but it will take at least 1 year.

Accounting Systems in Operation

Prompt Payment Act: Agencies Have Not Fully Achieved Available Benefits

AFMD-86-69, 08/28/86

Background

Pursuant to a congressional request, GAO reviewed whether federal agencies are complying with the Prompt Payment Act by making timely payments to private businesses for the goods and services they provide annually.

Findings

GAO evaluated payment procedures at 39 selected payment centers and found that: (1) 24 percent of federal vendor payments were made after the due date; (2) required interest penalties were seldom paid; (3) agencies paid only one of every six penalties owed; (4) almost one-fifth of the prompt payment discounts taken occurred after the offer period expired; and (5) payments were usually late because of missing data and inaccurate agency interpretations of prompt payment requirements. GAO also found that: (1) federal agencies paid about 23 percent of their bills 5 or more days before they were due; (2) the annual reports on federal bill payment performance have been misleading and have not highlighted the need for corrective action; and (3) although federal agencies have taken some initiatives to reduce excessive late payments, they must establish controls to obtain necessary data and ensure the use of appropriate criteria when paying vendor invoices.

Open Recommendations to Agencies

Recommendation: The Director, OMB, should establish, in coordination with the Department of Defense (DOD) and other agencies that commonly make interim payments, what payment period would be in the best interest of the government.
Status: Action in process. This issue has not yet been resolved by OMB or DOD. OMB wants this period to be 30 days, while DOD is advocating a shorter period.

Recommendation: The Administrator of General Services, the Secretary of Defense, and the Administrator of the National Aeronautics and Space Administration (NASA), should modify FAR to incorporate prompt payment provisions. This modification should specify payment within 30 days of receipt of a proper invoice or acceptance of goods or services, whichever is later.

If the revision defines acceptance for calculating due dates as a specific number of days after delivery, the number of days specified should be used consistently unless other terms are justified.
Addressee: Department of Defense
Status: Action in process. NASA, DOD, and the General Services Administration (GSA) published proposed changes to FAR in the Federal Register. The FAR Council approved the final changes to FAR, which would incorporate prompt payment provisions. Final issuance in the Federal Register is expected in December 1987.
Addressee: National Aeronautics and Space Administration
Status: Action in process. NASA, DOD, and GSA published proposed changes to FAR in the Federal Register. The FAR Council approved the final changes to FAR, which would incorporate prompt payment provisions. Final issuance in the Federal Register is expected in December 1987.
Addressee: General Services Administration
Status: Action in process. NASA, DOD, and GSA published proposed changes to FAR in the Federal Register. The FAR Council approved the final changes to FAR, which would incorporate prompt payment provisions. Final issuance in the Federal Register is expected in December 1987.

Accounting Systems in Operation

Loan Asset Sales: OMB Policies Will Result in Program Objectives Not Being Fully Achieved

AFMD-86-78, 09/25/86

Background

In response to a congressional request, GAO provided information on the Office of Management and Budget's (OMB) objectives and guidelines for agencies to follow in selling loan assets.

Findings

GAO found that OMB guidelines for loan asset sales: (1) require that all sales be made without future recourse to the federal government; (2) require that purchasers assume responsibility for collecting and servicing loan assets when such assets are sold; (3) would treat the loan asset sales proceeds as borrowings if sales are made with recourse to the government, which would be contrary to normal budgetary treatment of guarantees; and (4) will not assist in accurately measuring credit program subsidies, which is one of the program's objectives. GAO believes that: (1) the guidelines will not protect the government's best interests, since the government will not be maximizing net proceeds on the sale of certain loan portfolios; (2) the proposed budgetary treatment of loan asset sales with limited recourse does not reflect the actual and potential economic consequences of such sales, and is incorrect budgetary treatment; and (3) several of the requirements will result in overstating the subsidies associated with credit programs and, therefore, OMB will not fully achieve its objectives.

Open Recommendations to Agencies

Recommendation: To fully maximize loan sale net proceeds and fulfill the objectives of its loan asset sale program, the Director, OMB, should revise OMB guidelines for sale of loan assets to permit agencies to sell loan assets on a structured basis, which would include some form of future recourse to the government, or other credit enhancement, and permit servicing of sold loans by an entity other than the purchaser.
Status: Action in process. Estimated completion date: 12/87. OMB is revising its loan asset sale guidelines to permit agencies to sell loans in a manner that results in the maximum net proceeds to the government. The revised guidelines will allow credit enhancements such as overcollateralization.

Recommendation: To fully maximize loan sale net proceeds and to fulfill the objectives of its loan asset sale program, the Director, OMB, should classify, for budget purposes, the government's maximum contingent liability under limited-recourse loan sales as borrowings and the unencumbered sale proceeds as receipts.
Status: Action in process. Estimated completion date: 12/87. OMB is revising its methodology for both loan sales and budget classification of loan sale proceeds. Under credit-enhanced sales, OMB will classify net sale proceeds as budgetary receipts for deficit reduction purposes.

Recommendation: The Director, OMB, should not implement the OMB-proposed policy for determining subsidies under the pilot loan assets sale program, but should revise the policy by considering the two methodologies discussed in this report. In addition, the Director should report to Congress on the method selected and include an appropriate justification for the selection.
Status: Action not yet initiated. OMB agreed that, if only old loans are sold from agencies' portfolios, the sales price received would not correctly measure the subsidy provided at the time they were made. The fiscal year 1987 debt extension bill contains a credit reform rider, which will require the subsidy calculation for loans sold to be calculated based on the cost to the government, rather than the benefit to the borrower.

Accounting Systems in Operation

Loan Asset Sales: OMB Policies Will Result in Program Objectives Not Being Fully Achieved

AFMD-86-79, 09/25/86

Background

In response to a congressional request, GAO provided information on the Office of Management and Budget's (OMB) objectives and guidelines for agencies to follow in selling loan assets.

Findings

GAO found that OMB guidelines for loan asset sales: (1) require that all sales be made without future recourse to the federal government; (2) require that purchasers assume responsibility for collecting and servicing loan assets when such assets are sold; (3) would treat the loan asset sales proceeds as borrowings if sales are made with recourse to the government, which would be contrary to normal budgetary treatment of guarantees; and (4) will not assist in accurately measuring credit program subsidies, which is one of the program's objectives. GAO believes that: (1) the guidelines will not protect the government's best interest, since the government will not be maximizing net proceeds on the sale of certain loan portfolios; (2) the proposed budgetary treatment of loan asset sales with limited recourse does not reflect the actual and potential economic consequences of such sales, and is incorrect budgetary treatment; and (3) several of the requirements will result in overstating the subsidies associated with credit programs and, therefore, OMB will not fully achieve its objectives.

Open Recommendations to Agencies

Recommendation: To fully maximize loan sale net proceeds and fulfill the objectives of its loan asset sale program, the Director, OMB, should revise OMB guidelines for sale of loan assets to permit agencies to sell loan assets on a structured basis, which would include some form of future recourse to the government, or other credit enhancement, and permit servicing of sold loans by an entity other than the purchaser.
Status: Action in process. Estimated completion date: 12/87. OMB is revising its loan asset sale guidelines to permit agencies to sell loans in a manner that results in the maximum net proceeds to the government. The revised guidelines will allow credit enhancements such as overcollateraliztion.

Recommendation: To fully maximize loan sale net proceeds and fulfill the objectives of its loan asset sale program, the Director, OMB, should classify, for budget purposes, the government's maximum contingent liability under limited-recourse loan sales as borrowings and the unencumbered sale proceeds as receipts.
Status: Action in process. Estimated completion date: 12/87. OMB is revising its methodology for both loan sales and budget classification of loan sale proceeds. Under credit-enhanced sales, OMB will classify net sale proceeds as budgetary receipts for deficit reduction purposes.

Recommendation: The Director, OMB, should not implement the OMB-proposed policy for determining subsidies under the pilot loan assets sale program, but should revise the policy by considering the two methodologies discussed in this report. In addition, the Director should report to Congress on the method selected and include an appropriate justification for the selection.
Status: Action not yet initiated. OMB agreed that, if only old loans are sold from agencies' portfolios, the sales price

received would not correctly measure the subsidy provided at the time they were made. The fiscal year 1987 debt extension bill contains a credit reform rider, which will require the subsidy calculation for the sale of loans to be calculated based on the cost to the government, as originally proposed by OMB.

Accounting Systems in Operation

Financial Management: Defense Accounting Adjustments for Stock Fund Obligations Are Illegal

AFMD-87-1, 03/11/87

Background

GAO reviewed the magnitude of a series of Department of Defense (DOD) obligation adjustments to determine whether: (1) the procedures the Army and Air Force used to calculate and record the adjustments were proper; and (2) the adjustments complied with existing legal requirements.

Findings

GAO found that: (1) it was not in the government's interest for DOD to augment current appropriations through retroactive accounting adjustments which it did not fully disclose to Congress for approval; (2) DOD used inadequate methods to inform Congress of the impact of obligational adjustments on budget authority; (3) the use of statistical sampling to estimate and adjust recorded obligations was illegal, since the Air Force and the Army could not identify specific transactions or support calculated totals; (4) the adjustments provided additional obligational resources in excess of the amounts DOD requested from Congress; and (5) an accounting policy change was necessary to bring DOD into compliance with accepted accounting principles and standards.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Secretaries of the Air Force and Army to ensure that future obligation adjustments made to surplus fund and 'M' account balances comply with existing legal requirements, including the documentation requirements of 31 U.S.C. 1501.
Status: Recommendation valid/action not intended. DOD plans to take action on directions from the House Appropriations Committee (HAC), agreeing only with the intent of this recommendation. HAC directed approval by the service secretaries of all upward adjustments of "M" account obligations exceeding $100,000. GAO recommended review and approval by the OSD Comptroller of adjustments exceeding a certain threshold, such as $1 million.

Recommendation: The Secretary of Defense should require the Office of the Assistant Secretary of Defense (Comptroller) to review and approve individual service adjustments to surplus fund and 'M' account balances exceeding a certain threshold, such as $1 million.
Status: Recommendation valid/action not intended. DOD plans to take action on directions from HAC, agreeing only with the intent of this recommendation. HAC directed approval by the service secretaries of all upward adjustments of "M" account obligations exceeding $100,000. GAO recommended review and approval by the OSD Comptroller of adjustments exceeding a certain threshold, such as $1 million.

Recommendation: The Secretary of Defense should promptly and fully disclose adjustments exceeding this threshold to the appropriate congressional committee chairmen.
Status: Recommendation valid/action not intended. DOD plans to take action on directions from HAC, agreeing only with the intent of this recommendation. HAC directed approval by the service secretaries of all upward adjustments of "M" account obligations exceeding $100,000. GAO recommended prompt and full disclosure of adjustments to the appropriate congressional committee chairmen.

Accounting Systems in Operation

U.S. Postal Service: Postal Inspection Service's Independence and Reporting Requirements

AFMD-87-24, 04/16/87

Background

Pursuant to a congressional request, GAO: (1) compared the Postal Inspection Service with other federal agencies' statutory inspectors general (IG); and (2) provided information on the Inspection Service's reporting requirements.

Findings

GAO found that: (1) the Inspection Service performs work similar to that performed by agency IG; (2) the reporting line for the Chief Postal Inspector, the head of the Inspection Service, is similar to those for agency IG, but the Inspector is not as independent as agency IG because the Postmaster General has the authority to appoint or terminate the Inspector; and (3) this arrangement could lead to questions about the Inspection Service's independence. GAO also found that the Inspection Service is not required to report the results of its work to Congress, as agency IG are required to do.

Open Recommendations to Congress

Recommendation: To strengthen the Inspection Service's actual and perceived independence, Congress may wish to consider taking one of several actions to change the current appointment and termination authority of the position of Chief Postal Inspector, including: (1) amending the Inspector General Act of 1978 to create a statutory inspector general at the Postal Service; (2) amending the Postal Reorganization Act and placing the appointment authority with the President, with the advice and consent of the Senate, and requiring congressional notification upon termination; (3) amending the Postal Reorganization Act to place the appointment authority with the Board of Governors and to require congressional notification upon termination; (4) encouraging the Postal Service to place the authority for appointment and termination with the Postmaster General, with the advice and consent of the Board; or (5) encouraging the Postal Service to place the appointment and termination authority with the Board.
Status: Action in process.

Recommendation: If Congress desires to give the Chief Postal Inspector the same degree of independence as that possessed by IG, it should legislate presidential appointment of the head of the Inspection Service, with the advice and consent of the Senate. Congress should also give only the President the authority to terminate the Chief Postal Inspector. The reasons for such termination should be communicated to Congress, as is required for the termination of IG.
Status: Action in process.

Recommendation: To ensure that it receives information on the results of the Inspection Service's audits and investigations and to help evaluate the operations of the Postal Service, Congress may wish to require that the Inspection Service prepare semiannual and other reports similar to those prepared by IG. Congress could do this in several ways, including: (1) amending the Inspector General Act of 1978 to create a statutory inspector general at the Postal Service and, thereby, require those reports; or (2) amending the Postal Reorganization Act to require semiannual and other reports to Congress.
Status: Action in process.

Recommendation: Another alternative, which would not require congressional action, would be for the Postmaster General or the Board of Governors to require that the Inspection Service prepare the reports currently required of IG. These reports could be sent to the Postmaster General, the Board, and Congress.
Status: Action in process.

Accounting Systems in Operation

Internal Controls: Defense Fuel Supply Center's Recording and Reporting of Accounts Payable

AFMD-87-30, 05/13/87

Background

In response to a congressional request, GAO assessed the adequacy of the Defense Fuel Supply Center's (DFSC) financial and management information system in controlling, accounting for, and reporting on its fuel program, specifically its accounts payable.

Findings

During fiscal year 1986, DFSC purchased over $4.3 billion in fuels and, as of September 30, 1986, had over 17,500 accounts-payable balances, totalling about $416 million. GAO found that DFSC: (1) did not have adequate controls to ensure the proper recording and reporting of accounts payable resulting from its fuel purchases; (2) inaccurately reported the amounts it owed contractors; and (3) conducted inaccurate reviews of accounts-payable balances and did not know if the balances that remained outstanding for long periods were correct. GAO also found that DFSC improperly recorded and reported overpayments to contractors as negative accounts payable rather than accounts receivable, which understated both balances and caused management to lose control over collections. GAO noted that DFSC manually processes contractors' requests for payments and relies on documentary evidence to validate these payments, but it plans to implement an automated disbursing system which will interface with the Defense Fuel Automated System (DFAM) and rely primarily on DFAM data to validate payment information.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Director, DLA, to require the Administrative Support Center (ASC) and DFSC to ensure that the accounts-payable weaknesses have been corrected, and that the payable information reported by DFAM can be depended upon for payment purposes prior to fully relying on the automated disbursing system.
Status: *Action in process. Estimated* completion date: 01/88. Review of accounts-payable balances has identified problems. Also, DOD is monitoring monthly changes in manual and automated general ledgers for differences.

Recommendation: The Secretary of Defense should direct the Director, DLA, to require ASC and DFSC to continue to operate the manual disbursing system until the automated system shows that it can make reliable disbursements.
Status: Action in process. Estimated completion date: 01/88. DOD is withholding implementation until review of accounts payables is complete and assurance through monitoring of payments based on DFAM data shows data are reliable.

Accounting Systems in Operation

Debt Collection: First Year Efforts Under the GSA Contracts

AFMD-87-23, 05/15/87

Background

In response to a congressional request, GAO evaluated the performance of four private debt collection firms under contract to the General Services Administration (GSA).

Findings

GAO found that agencies: (1) were initially slow in referring their

delinquent accounts to the GSA contractors; (2) sometimes included inappropriate accounts in their referrals, such as those owed by deceased debtors, discharged through bankruptcy, or already paid in full; (3) referred accounts that did not contain essential debtor information; and (4) did not always add the contractor's contingent fee to the debtor's account. GAO also found that the contractors: (1) had, by the end of the first year, collected $2.7 million in delinquent debts and obtained about $3.2 million in promises from debtors to pay in the future; (2) generally initiated collection actions in accordance with their contracts; and (3) did not experience any major difficulties in handling the volume of referred accounts.

Open Recommendations to Agencies

Recommendation: To improve the quality of delinquent accounts referred to the GSA contractors by federal agencies, the Secretary of the Treasury should direct the Financial Management Service, in consultation with the Department of Justice and GAO, to develop guidelines and formats for referring delinquent accounts to private collection firms prior to the issuance of the next GSA Federal Supply Schedule for debt collection services.
Status: Action in process. Estimated completion date: 12/87. Treasury is in the process of updating guidelines for referring delinquent accounts to private collection firms.

Recommendation: The Secretary of the Treasury should request agencies with loan agreements that are silent about the borrower's liability for collection costs to amend their future loan agreements, if legally permissible, to include such a provision.
Status: Action in process. Estimated completion date: 09/88. Treasury will be working with federal agencies to include a borrower's liability provision in loan agreements which are silent on this issue. Treasury will also try to get the Office of Management and Budget to state this as a goal for fiscal year 1988.

Accounting Systems in Operation

Internal Controls: Improvements Needed in a USDA Receivable System

AFMD-87-3, 06/23/87

Background

GAO evaluated the Department of Agriculture's (USDA) program billings and collections system (BLCO) to assess: (1) the adequacy of BLCO automated data processing controls and internal controls over processing; (2) the actions USDA took to correct BLCO weaknesses; and (3) BLCO compliance with certain legal requirements in the areas of cash and debt management.

Findings

GAO noted that BLCO is operated by the USDA National Finance Center (NFC) and serves the Agricultural Marketing Service (AMS), Animal and Plant Health Inspection Service (APHIS), Federal Grain Inspection Service (FGIS), and Food Safety and Inspection Service (FSIS). GAO found that: (1) NFC used the new version of BLCO before completing program modifications and formal testing and certification, contrary to applicable policies and guidelines; (2) there was little assurance that the new version met security requirements and accurately and reliably performed all processing tasks consistent with the previous version; (3) restrictions on NFC personnel's access to BLCO data and programs were inadequate to safeguard data files and programs from unauthorized changes or use; and (4) BLCO program documentation was outdated and failed to conform to applicable policies and guidelines. GAO also found that: (1) BLCO processing controls were insufficient to ensure prompt and accurate processing and reporting of billing and collection data; (2) NFC and the inspection agencies needed data origination and entry control improvements to reduce the rate of transaction rejections and better ensure data accuracy; (3) NFC and the inspection agencies did not implement certain control measures required by debt collection regulations; and (4) NFC had not assessed the cost-effectiveness of its 2-year-old lockbox operation, an arrangement whereby payments were sent directly to a specific bank.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Administrators, AMS and FGIS, to redesign their inspection forms to conform with the BLCO external procedures manual requesting the standardized placement of key billing data.
Status: Recommendation valid/action not intended. Electronic submission is scheduled by the end of fiscal year 1988.

Accounting Systems in Operation

Internal Controls: Indian Housing Controls Improved But Need Strengthening

RCED-87-148, 08/05/87

Background

GAO reviewed the Bureau of Indian Affairs' (BIA) actions to correct weaknesses in its Housing Improvement Program (HIP), which provides grants to Indian families living in substandard or inadequate housing to: (1) make repairs; (2) make down payments for home purchases; and (3) finance construction of new homes.

Findings

GAO noted that, in response to the Department of the Interior Inspector General's recommendation, BIA issued a model contract to ensure that tribes select the neediest families for assistance. GAO found that the tribes were not complying with the model contract requirements for: (1) the inventory of tribal members desiring to participate in the program; (2) tribal selection criteria; and (3) construction work plans. GAO also found that: (1) BIA is not adequately monitoring tribal compliance with contract provisions; (2) contracting officers' representatives (COR) provide insufficient monitoring of construction and repairs; and (3) BIA and tribal officials incorrectly interpreted the requirement for an inventory of housing needs of all tribal members.

Open Recommendations to Agencies

Recommendation: In order to improve the effectiveness of the model contract, thereby ensuring that HIP funds are properly spent on the neediest Indian applicants, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to require contracting officers and COR to enforce the model contract provisions requiring the submission of documents, such as inventories of applicants, which help BIA monitor the operation of the program.
Status: Action in process. BIA will reinforce its instructions calling for all HIP contract applications to contain the necessary information and documentation.

Recommendation: In order to improve the effectiveness of the model contract, thereby ensuring that HIP funds are properly spent on the neediest Indian applicants, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to require COR to verify that planned construction is carried out; if they do not have the engineering expertise to assess quality, COR should make use of construction expertise at area offices.
Status: Action in process. Contracting officers will ensure that procedures are in place to have the area housing officers monitor and inspect.

Recommendation: In order to improve the effectiveness of the model contract, thereby ensuring that HIP funds are properly spent on the neediest Indian applicants, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to require BIA to periodically test tribal application of selection criteria.
Status: Action in process. BIA will issue instructions to all area directors that all HIP contractors must use the uniform selection criteria to develop priority bids and that the housing staff review each contract application to ascertain that the priority list is in accordance with 25 C.F.R. Part 265.5.

Recommendation: In order to improve the effectiveness of the model contract, thereby ensuring that HIP funds are properly spent on the neediest Indian applicants, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to change the model contract requirement from an inventory of housing needs of all tribal members desiring to participate in HIP to an inventory of applicants.

Status: Action in process. BIA will incorporate this language in the model contract.

Recommendation: In order to improve the effectiveness of the model contract, thereby ensuring that HIP funds are properly spent on the neediest Indian applicants, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to clarify the level of detail required in drawings and specifications and the description of repairs.

Status: Action in process. BIA will include clarifying language in the model contract.

Internal Audit

Compliance With Professional Standards by the Commerce Inspector General

AFMD-85-57, 08/12/85

Background

GAO reviewed the Department of Commerce Office of the Inspector General's (OIG) compliance with professional standards to determine whether: (1) audits were conducted in accordance with generally accepted government auditing standards; (2) investigations were performed in compliance with professional standards; and (3) inspections complied with the Inspector General's (IG) own policies and procedures for documenting observations and recommendations contained in inspection reports.

Findings

GAO found that: (1) the IG audit function satisfactorily complied with the professional standards in the areas of staff qualifications, organizational and external impairments to independence, and fraud and abuse, but corrective action was needed in the areas of supervision, internal controls, and audit follow-up; and (2) the quality control system did not adequately communicate to the audit staff the policies and procedures to be followed to ensure compliance with audit standards in certain areas. GAO also found that: (1) IG satisfactorily complied with professional investigative standards concerning staff qualifications, screening allegations, and the establishment of a quality assurance program, but needed to take corrective action in the areas of preserving confidentiality, planning, and reporting; (2) IG made a number of improvements in the inspection functions, but there were still some problems in documenting the inspection work; and (3) improvements were needed in the written quality control policies and procedures to ensure better compliance with professional standards.

Open Recommendations to Agencies

Recommendation: To strengthen controls for ensuring that investigators are free of financial impairments to their personal independence, IG should instruct new investigators at the GM-13 level and above to submit financial disclosures, which IG or other OIG management officials will review.

Status: Action in process. OIG indicated that it does require GS-13-and-above investigators to submit financial disclosure statements; however, revisions to OIG procedures will be made upon release of the Office of Government Ethics' revised instructions on financial disclosure.

Internal Audit

Justice Department: An Assessment of the Need for a Statutory Inspector General

AFMD-86-8, 02/24/86

Background

Pursuant to a congressional request, GAO reviewed the organization and operation of the Department of Justice's audit and investigative activities to: (1) determine how they differ from those authorized under the Inspector General Act of 1978; (2) offer a recommendation on whether Justice should have a statutory inspector general (IG); (3) address Justice's objections to establishing an IG; and (4) provide information on the different methods of structuring a Justice IG.

Findings

GAO found that, unlike other federal agencies whose investigations and audits are carried out by personnel and organizations that are independent of department operations, Justice's audit and investigative units are not organizationally independent, which could affect their impartiality. Impairments exist because the five bureau-level investigative units determine what items are significant enough to report. There is also no assurance that the Attorney General is promptly apprised of the work of the investigative units because reports must pass through many officials to reach him. GAO found that there is no one person or office responsible for coordinating audits and investigations. Justice's opposition to an IG concern the impact of an IG on departmental law enforcement operations and the ability of the Attorney General to exercise broad-based discretion in directing Justice's investigative, prosecutorial, and litigation functions. However, the act specifically requires an IG to: (1) comply with Comptroller General's standards for audits of federal establishments, organizations, programs, activities, and functions; (2) promote efficiency and effectiveness in a department's programs and operations; and (3) alert an agency head of serious problems rather than become involved in an agency's line of effort. The audit and investigative units selected for inclusion in Justice's IG office will determine the nature of the role of the IG within the agency.

Open Recommendations to Congress

Recommendation: Congress should amend the Inspector General Act of 1978 to establish an Office of Inspector General at Justice in order to: (1) strengthen management's control; (2) promote efficient and effective operation; (3) combat fraud, waste, and abuse; and (4) ensure that the Attorney General and Congress are kept fully and currently informed of any serious problems.
Status: Action not yet initiated.

Internal Audit

Inspectors General: Compliance With Professional Standards by the EPA Inspector General

AFMD-86-43, 09/30/86

Background

GAO reviewed the Environmental Protection Agency's (EPA) Office of Inspector General (OIG) to determine whether OIG: (1) audit functions complied with Comptroller General and President's Council on Integrity and Efficiency (PCIE) standards; and (2) investigation function satisfactorily complied with PCIE quality and professional standards.

Findings

GAO found that: (1) OIG satisfactorily complied with 20 of the 23 audit and investigative standards used in assessing OIG operations; and (2) OIG needs to

take corrective action to bring it into satisfactory compliance with certain aspects of three standards in the areas of evaluating and reporting on internal control systems, gathering evidence to support audit report statements, and developing an annual investigation plan. While OIG did not comply with some audit and investigation standards, GAO did not identify any cases where there was cause to question OIG findings in audits and investigations reviewed.

Open Recommendations to Agencies

Recommendation: To assist OIG in satisfactorily complying with certain aspects of the audit standards, IG should require the use of OIG checklists to provide greater assurance that audit supervisors document and retain supervisory reviews of all work products.
Status: Action in process. OIG is developing a checklist for ensuring quality audit reports.

Recommendation: To increase the discipline for sound financial management, enhance oversight, and help ensure financial integrity, IG should expand the current financial program by performing additional audits, which examine financial reports and the reliability of accounting systems which produce the reports. Eventually, more OIG audits should be undertaken with the objective of expressing an opinion on the accuracy and adequacy of EPA financial reports.
Status: Recommendation valid/action not intended. OIG agreed with GAO concerning the need for and benefits of financial audits for EPA. However, OIG believes that its planning process provides appropriate consideration of the priority to be given to its financial audit program. Although OIG believes that it has resolved this, GAO is going to keep the recommendation open to ascertain what action OIG takes in conducting financial statement audits.

Internal Audit

Inspectors General: Compliance With Professional Standards by the GSA Inspector General

AFMD-87-22, 07/20/87

Background

GAO reviewed the General Services Administration's (GSA) Office of Inspector General's (OIG) compliance with professional audit standards in conducting audits and investigations.

Findings

GAO found that: (1) OIG satisfactorily complied with 20 of the 23 audit and investigation standards; (2) of the remaining three standards, OIG complied with some aspects of the audit standards on supervision and evidence and the investigation standard on planning; (3) there were factual inconsistencies between reports and supporting work papers, indicating that the supervisory reviews were inadequate; and (4) although OIG appeared to have adequate quality control policies and procedures for ensuring adherence to all of the standards, improvements were needed to bring all OIG staff into compliance.

Open Recommendations to Agencies

Recommendation: To help ensure the quality of all OIG activities, the Inspector General should require the appraisal review team to conduct periodic assessments of all headquarters audit units.
Status: Action in process. The OIG review function has been moved to OIG and is being staffed. The review team's mission will be to evaluate both field and headquarters operations.

Recommendation: To help ensure the quality of all OIG audit activities, the Inspector General should require the appraisal review team to conduct limited-scope reviews of the field office operations, such as reviews of the supervision and evidence problems disclosed in this chapter and in prior OIG appraisal review reports, in order to ascertain on a timely basis if those problems have been corrected.
Status: Action in process. The OIG review team is being staffed and will engage in limited-scope reviews, as appropriate.

take corrective action to bring it into satisfactory compliance with certain aspects of three standards in the areas of evaluating and reporting on internal control systems, gathering evidence to support audit report statements, and developing an annual investigation plan. While OIG did not comply with some audit and investigation standards, GAO did not identify any cases where there was cause to question OIG findings in audits and investigations reviewed.

Open Recommendations to Agencies

Recommendation: To assist OIG in satisfactorily complying with certain aspects of the audit standards, IG should require the use of OIG checklists to provide greater assurance that audit supervisors document and retain supervisory reviews of all work products.
Status: Action in process. OIG is developing a checklist for ensuring quality audit reports.

Recommendation: To increase the discipline for sound financial management, enhance oversight, and help ensure financial integrity, IG should expand the current financial program by performing additional audits, which examine financial reports and the reliability of accounting systems which produce the reports. Eventually, more OIG audits should be undertaken with the objective of expressing an opinion on the accuracy and adequacy of EPA financial reports.
Status: Recommendation valid/action not intended. OIG agreed with GAO concerning the need for and benefits of financial audits for EPA. However, OIG believes that its planning process provides appropriate consideration of the priority to be given to its financial audit program. Although OIG believes that it has resolved this, GAO is going to keep the recommendation open to ascertain what action OIG takes in conducting financial statement audits.

Internal Audit

Inspectors General: Compliance With Professional Standards by the GSA Inspector General

AFMD-87-22, 07/20/87

Background

GAO reviewed the General Services Administration's (GSA) Office of Inspector General's (OIG) compliance with professional audit standards in conducting audits and investigations.

Findings

GAO found that: (1) OIG satisfactorily complied with 20 of the 23 audit and investigation standards; (2) of the remaining three standards, OIG complied with some aspects of the audit standards on supervision and evidence and the investigation standard on planning; (3) there were factual inconsistencies between reports and supporting work papers, indicating that the supervisory reviews were inadequate; and (4) although OIG appeared to have adequate quality control policies and procedures for ensuring adherence to all of the standards, improvements were needed to bring all OIG staff into compliance.

Open Recommendations to Agencies

Recommendation: To help ensure the quality of all OIG activities, the Inspector General should require the appraisal review team to conduct periodic assessments of all headquarters audit units.
Status: Action in process. The OIG review function has been moved to OIG and is being staffed. The review team's mission will be to evaluate both field and headquarters operations.

Recommendation: To help ensure the quality of all OIG audit activities, the Inspector General should require the appraisal review team to conduct limited-scope reviews of the field office operations, such as reviews of the supervision and evidence problems disclosed in this chapter and in prior OIG appraisal review reports, in order to ascertain on a timely basis if those problems have been corrected.
Status: Action in process. The OIG review team is being staffed and will engage in limited-scope reviews, as appropriate.

Internal Audit

Inspectors General: Compliance With Professional Standards by the Transportation Inspector General

AFMD-87-28, 08/10/87

Background

In response to a congressional request, GAO reviewed the Department of Transportation's (DOT) Office of Inspector General (OIG) to determine whether the Inspector General conducted audits and investigations in accordance with generally accepted standards.

Findings

GAO found that the DOT Inspector General: (1) complied with 19 of the 23 audit and investigation standards it tested; (2) needed to take corrective action to ensure satisfactory compliance with audit standards on evidence, reporting, supervision, and quality assurance; (3) developed policies to ensure that the OIG staff had an awareness and understanding of professional standards, but some of the policies were inadequate; (4) did not always have adequate audit quality processes to alert management to problems which could impact work quality and effectiveness; and (5) did not track all audit report recommendations through the implementation of corrective actions. GAO also found that the DOT semiannual reports show dollar findings that differ from those shown in the corresponding audit reports.

Open Recommendations to Agencies

Recommendation: To assist DOT OIG in satisfactorily complying with certain areas of the audit standards, the Inspector General should expand the scope of the OIG quality assurance program to provide reasonable assurance of adherence to the standards for performing audits and conduct more frequent reviews.
Status: Action in process. Estimated completion date: 12/87. Revisions to the OIG Quality Assurance Program are in final draft and will be issued in December 1987.

Recommendation: To further strengthen operations at DOT OIG, the Inspector General should clarify OIG policies on reporting to ensure that: (1) audit reports accurately reflect the audit's objectives and scope; and (2) the objectives are adequately addressed.
Status: Action in process. Estimated completion date: 01/88. OIG revised its policies on Audit Survey and Coordinated Audits to require precise audit objectives, ensure that objectives are adequately addressed, and the scope is identified. Documentation was provided on November 2, 1987. OIG plans to revise reporting policies to incorporate the recommendation in January 1988.

Recommendation: To further strengthen operations at DOT OIG, the Inspector General should implement OIG policy on following up on the evaluation report recommendations.
Status: Action in process. Estimated completion date: 12/87. This is included in the revision to the OIG Quality Assurance Program, OPM Part I, chapter 19. This chapter will be finalized in December 1987.

Recommendation: To further strengthen operations at DOT OIG, the Inspector General should track all of its significant recommendations through implementation and take prompt and appropriate action to resolve any recommendation that the agency managers do not fully implement.
Status: Action in process. Estimated completion date: 03/88. OIG has completed a preliminary outline of the proposed modifications to the existing follow-up process. OIG estimates a revised DOT order incorporating the modification will be issued by March 31, 1988.

Recommendation: To further strengthen operations at DOT OIG, the Inspector General should explain in the semiannual report why some of the dollar figures reported differ from those in the corresponding audit reports.
Status: Action in process. OIG indicated the problem identified has been corrected; however, no documentation was provided. GAO will obtain documentation from the Inspector General.

Regulatory Accounting Rules and Financial Reporting

Disclaimer of Opinion on the Financial Statements of the Pension Benefit Guaranty Corporation for FY 1980

AFMD-82-42, 06/23/82

Background

GAO examined the combined statement of the financial condition of the Pension Benefit Guaranty Corporation (PBGC) as of September 30, 1980, the related combined statements of operations and changes in the deficiency in net assets, and the changes in financial condition for the year then ended.

Findings

GAO found material accounting and estimating problems, internal control weaknesses, and major uncertainties that significantly reduce the reliability of important account balances. Because of the matters discussed in the report, GAO was not able to express an opinion on whether PBGC statements presented fairly its financial condition and the results of its operations and changes in financial condition for fiscal year 1980.

Open Recommendations to Agencies

Recommendation: The Executive Director, PBGC, should: (1) develop a system for financial statement reporting that values benefits on a current, individual-participant basis; (2) substantiate the reasonableness of actuarial assumptions, estimation techniques, and models; (3) determine reasons for changes in the pension plan inventory and establish allowances in the financial statements for expected variances; (4) establish accounting controls and procedures to reconcile financial data maintained by separate computer systems; and (5) develop policies and procedures for substantiating information provided by external organizations.

Status: Action in process. Although actions were taken on this recommendation, the current situation in the steel industry has set back progress to develop a comprehensive data base for the benefit valuation system. Also, limited resources and legal constraints precluded progress in substantiating actuarial assumptions and estimates of plan inventory changes.

Regulatory Accounting Rules and Financial Reporting

Budget Issues: The President's Current Services Budget

AFMD-87-10, 12/02/86

Background

In response to a congressional request, GAO reviewed the current services budget to determine: (1) if procedures for developing current services estimates complied with the Congressional Budget and Impoundment Control Act of 1974; and (2) how to improve the usefulness of current services estimates to Congress.

Findings

GAO noted that the budget act requires the President to submit a current services budget to Congress showing the estimated outlays and proposed budget authority for the following fiscal year if the government maintained all programs and activities at their current levels. GAO found that: (1) the Office of Management and Budget's (OMB) definition of policy for certain agencies and programs, although different from its general current services guidelines, is not inconsistent with the budget act's requirements, since the act does not discuss or define policy; (2) the use of different policy definitions lessens the current services budget's usefulness to Congress as a budget tool; (3) congressional staff involved in the budget process does not regularly use the current services budget because the Congressional Budget Office's information is more useful; (4) budget examiners' use of inconsistent

estimating methods and OMB use of exceptions to its own guidelines could result in a current services budget developed to support the President's proposed policies rather than to highlight the fiscal effects of proposed policy changes; and (5) elimination of the legal requirement for the current services budget would help prevent the use of its estimates to support particular policies.

Open Recommendations to Congress

Recommendation: If the requirement for a current services budget is retained, Congress should amend the budget act to specifically define the set of policies to be assumed in developing the current services estimates. While judgment is always required in making budget estimates, the use of a defined set of policies would ensure a common understanding between Congress and OMB as to what the current services budget represents, making it a more useful budgetary tool.
Status: Action not yet initiated.

Recommendation: For the current services budget to best serve the purpose of providing a baseline for highlighting the fiscal effects of policy changes proposed in the President's budget, Congress should use the most current policy reflected in law to develop it. Congress should specifically define current policy at a sufficient level of detail to ensure that OMB provides the type of information that would be useful to Congress as a baseline. The definition of the budget base in the Balanced Budget and Emergency Deficit Control Act of 1985 is an example of the detail required in such a definition.
Status: Action not yet initiated.

Regulatory Accounting Rules and Financial Reporting

Financial Audit: Panama Canal Commission's Financial Statements for 1985 and 1984

AFMD-87-4, 06/10/87

Background

GAO examined the Panama Canal Commission's (PCC) statement of its financial position as of September 30, 1985 and 1984, and the related statements of operations and non-interest bearing investment, the changes in the government's investment, the changes in financial position, and the status of appropriations for the years then ended.

Findings

GAO found that: (1) an amendment to the Panama Canal Act of 1979 required PCC to deposit, as miscellaneous receipts, that portion of toll revenues that covered interest on the U.S. investment collected on or after the date of the amendment, and eliminated the PCC practice of reducing the U.S. interest-bearing investment base by the amount of interest each year; and (2) PCC did not obtain regulatory approval in advance of establishing a floating equipment reserve to provide for future repairs. GAO also found that, except for the establishment of the reserve, the financial statements presented fairly the PCC financial position, the results of its operations, the changes in its financial position, and the status of appropriations for the years then ended, in conformity with generally accepted accounting principles applied consistently.

Open Recommendations to Agencies

Recommendation: The Chairman of the Board of Directors, PCC, should direct the Administrator, PCC, to obtain approval from the regulator to establish and fund the reserve for floating equipment.
Status: Action in process. PCC plans to include the reserve in its next toll rate submission in 1989.

Regulatory Accounting Rules and Financial Reporting

Financial Audit: Federal Crop Insurance Corporation's Financial Statements for 1986 and 1985

AFMD-87-36, 06/12/87

Background

GAO examined the financial statements of the Federal Crop Insurance Corporation (FCIC) for the years ended September 30, 1986 and 1985.

Findings

GAO found that FCIC: (1) paid reinsurance claims of $436 million in 1986 and $474 million in 1985; (2) made potential overpayments of $8.1 million on 1986 reinsurance claims and $6.2 million on 1985 reinsurance claims because it failed to thoroughly review and verify claims submitted by producers to reinsured companies; (3) incurred losses of $221 million in 1986 and $222 million in 1985 from insuring agricultural crops; and (4) has not established premium rates that would adequately cover losses on insured crops, while enabling it to build a reasonable reserve against unforeseen losses. GAO also found that FCIC: (1) accumulated a deficit of $959 million and a negative capital position of $420 million by September 30, 1986; (2) received loans of $450 million from the Commodity Credit Corporation (CCC) in fiscal year 1986; (3) borrowed $113 million from the U.S. Treasury to pay producers' loans; (4) made no loan repayments; (5) has $375 million available from CCC for future use; and (6) may be unable to continue in existence without additional financial assistance from Congress. GAO concluded that the financial statements presented fairly the financial position of FCIC as of September 30, 1986 and 1985, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Open Recommendations to Agencies

Recommendation: The Manager and Comptroller, FCIC, should obtain the date of loss from the reinsured companies and modify the accounting system to report losses on a fiscal year basis.

Status: Action in process. FCIC will incorporate changes into current system work.

Regulatory Accounting Rules and Financial Reporting

Financial Audit: Veterans Administration's Financial Statements for Fiscal Year 1986

AFMD-87-38, 07/29/87

Background

GAO examined the Veterans Administration's (VA) consolidated financial statements for fiscal year 1986, and reviewed VA internal controls and compliance with federal laws and regulations.

Findings

GAO found that: (1) it could not establish the book value of VA assets, including land, buildings, and equipment that VA acquired over periods dating back to 1930; (2) had VA calculated its insurance reserve balance under generally accepted accounting principles, its balance of $11.2 billion would have decreased by $4 billion to $5.7 billion; (3) VA did not always properly bill patients who were not entitled to free care, and its records showed about $20.2 million in receivables for ineligible-patient care services; (4) VA failed to comply with the Prompt Payment Act and the Veterans' Rehabilitation and Education Amendments of 1980, and may not have complied with the Debt Collection Act of

1982; and (5) except as noted, the VA financial statements presented fairly the VA financial position as of September 30, 1986, in accordance with generally accepted accounting principles applied on a consistent basis.

Open Recommendations to Agencies

Recommendation: The Administrator of Veterans Affairs should direct the Department of Medicine and Surgery (DMS) to review the medical centers' compliance with VA procedures for determining the eligibility status of veterans from whom reimbursements should be received. For those centers where compliance is not being achieved, DMS should provide the Administrator with a detailed plan of corrective action.
Status: Action in process. VA is developing a decentralized hospital computer program billing package that will identify billing cases and generate bills.

Recommendation: The Administrator of Veterans Affairs should conduct a review of delinquent VA debts and, accordingly, either assess the proper amount of interest and administrative costs, as required by law, or execute waivers if there are appropriate reasons for doing so.
Status: Action in process. The interest rate charged on loan guaranty debts will be changed. However, the computerized system will have to be modified for this change, and due to the extensive programming required, no implementation date has been established.

Regulatory Accounting Rules and Financial Reporting

Financial Audit: Federal Deposit Insurance Corporation's 1986 and 1985 Financial Statements

AFMD-87-58, 08/12/87

Background

GAO examined the financial statements of the Federal Deposit Insurance Corporation (FDIC) for the years ended December 31, 1986 and 1985.

Findings

GAO found that: (1) FDIC was not following internal control procedures that required it to reconcile certain accounts monthly, but took action to ensure that reconciliations were completed in a timely manner; (2) the financial condition of certain sectors of the economy adversely affected the banking industry and, in turn, required FDIC to increase its expenditures for appropriate regulatory action; (3) FDIC net income exceeded $1 billion each year between 1982 and 1985, but declined to less than $300 million in 1986; (4) although the FDIC deposit insurance fund totalled $18.3 billion at the end of 1986, an increase of $4.6 billion since 1982, the ratio of the fund to insured deposits declined and could continue to decline in 1987; and (5) the financial statements presented fairly the financial position of FDIC, and the results of its operations and the changes in its financial position, in conformity with generally accepted accounting principles applied on a consistent basis.

Open Recommendations to Agencies

Recommendation: The Chairman of the Board of Directors, FDIC, should instruct the Director of the Division of Accounting and Corporate Services (DACS) to report monthly on the status of the current reconciliation project until it is completed and, after the project is completed, to report any additional major unreconciled differences and reiterate to personnel responsible for the reconciliations the importance of timely completion of the reconciliations.
Status: Action in process. The Chairman instructed the Director, DACS, to provide a monthly report on the status of the reconciliation project, on any subsequent unreconciled differences, and reiterate to personnel the importance of the reconciliations. On October 16, 1987, the Director submitted his first monthly report.

Regulatory Accounting Rules and Financial Reporting

Financial Audit: Export-Import Bank's 1986 and 1985 Financial Statements

AFMD-87-61, 08/31/87

Background

Pursuant to a legislative requirement, GAO examined the financial records and internal accounting controls of the Export-Import Bank of the United States (Eximbank) for the years ended September 30, 1986, and 1985.

Findings

GAO found that: (1) Eximbank's records did not show any provision for anticipated losses due to defaults in loan payments; (2) such provision would have decreased its total deficit by about $5 billion; and (3) Eximbank plans to generate about $5.2 billion in loan sales through fiscal year 1992, and has received an estimated $848 million of its projected $1.5 billion loan sales for 1987; (4) Eximbank's reliance on the Foreign Credit Insurance Association (FCIA) resulted in weak internal control procedures because FCIA recordkeeping and data control systems were inaccurate; and (5) the statements did not present fairly the financial position of Eximbank as of September 30, 1986, and 1985, or the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.

Open Recommendations to Agencies

Recommendation: The Chairman should direct Eximbank's controller to monitor and report on FCIA progress toward resolving its internal accounting control system weaknesses, including completing and implementing its new computer systems, to ensure financial information is accurately processed by FCIA and correctly reported to Eximbank for inclusion in its financial statements.

Status: Action in process. The accounting systems' problems are expected to be completely corrected by December 31, 1987. The problems dealing with completing and implementing its new computer system will not be corrected until 1990.

Regulatory Accounting Rules and Financial Reporting

Financial Audit: Examination of GSA's Financial Statements for Fiscal Years 1986 and 1985

AFMD-87-49, 09/30/87

Background

GAO examined the General Services Administration's (GSA) consolidated financial statements for the fiscal years ended September 30, 1986 and 1985.

Findings

GAO found that GSA: (1) did not reconcile cash balances with the Department of the Treasury in a timely manner; (2) did not have reliable data regarding its fleet management operations, due to the conversion to a new automated accounting system; and (3) complied with the applicable laws and regulations for transactions that could have materially affected its financial statements.

Open Recommendations to Agencies

Recommendation: The Administrator of General Services should direct the Comptroller to ensure that GSA cash balances, including Simplified Intragovernmental Billing and Collection System chargebacks, are reconciled with the Treasury balances

within the Treasury-established time frames.
Status: Action in process. Estimated completion date: 09/88. GSA has implemented new cash reconciliation procedures that it believes will meet Treasury-established requirements and time frames for reconciling its general ledger cash balances to Treasury-reported balances.

Recommendation: The Administrator of General Services should direct the Comptroller to require that new accounting systems be thoroughly tested before discontinuing the systems being replaced.
Status: Action in process. The GSA Comptroller agreed to thoroughly test and check any new accounting system before shutting down its predecessor, whenever the situation arises.

Review and Approval of Accounting Systems

Computer Systems: Navy Stock Point ADP Replacement Program Needs Better Management Controls

IMTEC-87-30, 09/17/87

Background

In response to a congressional request, GAO evaluated the Navy's Stock Point ADP Replacement (SPAR) project to determine whether the Navy complied with Department of Defense (DOD) directives to improve and modernize its computerized information systems.

Findings

GAO found that the Navy: (1) plans to acquire new automatic data processing equipment, redesign its computer software, and convert its current software and data files to operate on the new system; (2) did not comply with DOD directives, since it did not review and approve the modernization of the entire system; and (3) did not conduct a study to ascertain cost and performance measures needed to determine the system's effectiveness and worth.

Open Recommendations to Agencies

Recommendation: To ensure that the modernized segment of SPAR has appropriate management controls, the Secretary of Defense should direct the Secretary of the Navy to establish an additional review for the modernization segment within the SPAR program and ensure that the intent of the review has been fulfilled before allowing the program to enter subsequent development phases. Specifically, the Navy should establish a system design completion review for the modernization segment.
Status: Action not yet initiated. DOD has not yet officially responded to the report. However, the Office of the Secretary of Defense indicated that it was considering action.

Recommendation: To ensure that the modernized segment of SPAR has appropriate management controls, the Secretary of Defense should direct the Secretary of the Navy to defer the acquisition of new automatic data processing equipment for three SPAR conversion sites (excluding the test bed and first site) until the modernized system design is complete and the Navy can ensure that the equipment can be effectively used for the modernized system.
Status: Action not yet initiated. DOD has yet to provide its official response to the report.

General Government

Funding Gaps Jeopardize Federal Government Operations

PAD-81-31, 03/03/81

Background

Interruptions in federal agency funding at the beginning of the fiscal year (FY) and operations on continuing resolutions have become the norm rather than the exception. During the normal deliberations process on appropriations for FY 1981, it became clear that a funding gap might develop. In response to the President's request for an opinion on the Antideficiency Act, the Attorney General ruled that the act required agencies to terminate all operations when their current appropriations expired. In addition, the Attorney General stated that the Department of Justice would strictly enforce the criminal provisions of the act in cases of future willful violations.

Findings

Agencies were uncertain how to respond to the Attorney General's opinion and what activities they would be able to continue if appropriations expired. In addition, guidance from Justice and the Office of Management and Budget was inconsistent, and neither provided clear instructions for agencies to follow. There are many approaches to the problem of funding gaps, including: (1) permanent legislation authorizing agencies to incur obligations, but not expend funds, for continued operations during periods of expired appropriations; (2) amendments to the act to allow agencies to incur obligations for continued operations when appropriations expire; (3) amendments to the rules of both houses to require all appropriations acts to include language conferring authority to continue to incur, but not liquidate, obligations at the level authorized until superseded by another funding measure; (4) that limitation and legislative riders on appropriations bills and continuing resolutions could be forbidden or made to require a two-thirds vote for passage; or (5) continuation of the pay of federal civilian and military employees in periods of expired appropriations.

Open Recommendations to Congress

Recommendation: Congress should consider shifting more programs to authorization and appropriations cycles of 2 or more years.
Status: Action in process.

Treasury Department: An Assessment of the Need for a Statutory Inspector General

AFMD-86-3, 08/21/86

Background

In response to a congressional request, GAO reviewed the audit and investigative activities the Department of the Treasury's organizational units conducted, focusing on the differences and similarities between the organization and operation of those units and those of the statutory offices of inspector general in other executive branch departments and agencies.

Findings

GAO found that: (1) Treasury's Inspector General (IG) has audit and investigative responsibility for only 11 percent of Treasury's operating budget, while law enforcement bureaus' internal affairs and inspection staffs audit and investigate 89 percent of the budget; (2) the law enforcement bureaus report the results of their internal audits and investigations to bureau management; (3) since the head of internal affairs determines which audits are significant and reports them to IG, there is no assurance that the Secretary is informed of audit and investigative issues that could have a departmentwide impact; and (4) Treasury does not routinely inform Congress about its audit and investigative activities.

Open Recommendations to Congress

Recommendation: Congress should amend the Inspector General Act of 1978 to establish an Office of Inspector General at Treasury in order to strengthen management's control, promote efficient and effective operation, combat fraud, waste, and abuse, and ensure that the Secretary of the Treasury and Congress are kept fully and currently informed of any serious problems. The Internal Revenue Service should be included under the new statutory IG. Congress could also consider special legislative provisions to accommodate Treasury's concerns over the possible disclosure of sensitive law enforcement and tax information.
Status: Action in process.

Central Fiscal Operations

Improvements Needed in Controlling and Accounting for Treasury Banking Arrangements

AFMD-85-22, 04/03/85

Background

GAO reported on controlling and accounting for the Department of the Treasury's banking arrangements with commercial banks for handling federal agencies' deposits.

Findings

GAO found that Treasury's costs to have commercial banks process the deposits increase by about $14 million annually because delays deprive Treasury of the use of the funds and increase the government's interest costs, to the extent that Treasury must borrow additional funds to meet commitments. GAO also found deficiencies in controls over bank delays of funds collected through lockboxes and the Treasury Financial Communications System (TFCS).

Open Recommendations to Agencies

Recommendation: The Secretary of the Treasury should determine whether it would be cost-effective to revise current procedures to allow the Federal Reserve to accept all funds received through TFCS, even though agency identification may be inaccurate.
Status: Recommendation valid/action not intended. Treasury rejected this recommendation. The Financial Management Service's policy requires that accurate data be entered into the accounting system. Treasury does not believe there is a feasible alternative.

Central Fiscal Operations

Unemployment Compensation: Payments to Ineligible Former Employees

GGD-87-17, 12/19/86

Background

In response to a congressional request, GAO reviewed six agencies' unemployment compensation procedures and payments to their former employees.

Findings

GAO found that: (1) the six agencies were incurring greater-than-necessary unemployment compensation costs because they did not have effective internal control systems to ensure that states were furnished timely, complete and accurate information; (2) former employees who separated under circumstances which made them ineligible for unemployment compensation received payments; (3)

agencies missed opportunities to reduce their unemployment costs and prevent payments to ineligible former employees when they did not appeal inappropriate payments; (4) agencies did not report internal control weaknesses, which allowed improper payments to occur, to Congress in annual reports in compliance with the Federal Managers' Financial Integrity Act (FIA); and (5) several agencies employed contractors to manage their unemployment compensation programs.

Open Recommendations to Agencies

Recommendation: The Secretaries of the Army, Health and Human Services, the Interior, the Navy, and the Treasury, and the Administrator of Veterans Affairs should establish effective internal control systems to ensure that states are provided accurate, complete, and timely wage and separation information for former employees who apply for benefits, and appeal decisions when it appears that the state misinterpreted the facts or the determination is not in accordance with state law. The agencies' evaluations and reports required by FIA should specifically address the status of internal controls for avoiding improper payments in the unemployment compensation program and the agencies' plans for and accomplishments toward developing effective internal control systems.
Addressee: Department of the Army
Status: Action not yet initiated. The Office of the Secretary of Defense's (OSD) response is in progress. On April 3, 1987, OSD provided an interim response stating that a full reply was forthcoming.
Addressee: Department of the Navy
Status: Action not yet initiated. As of April 3, 1987, OSD was still working on a final response in compliance with 31 U.S.C. 236.
Addressee: Department of the Treasury
Status: Action in process. Treasury established a task force to examine problems and review agency procedures. The task force is examining other private sector systems for system delivery.

Recommendation: The Secretary of Labor should evaluate the use of the contractors' services used by the Department of the Interior and other agencies to determine if it can serve as a solution for avoiding improper benefit payments.
Status: Action taken not fully responsive. Labor did not agree with the recommendation and plans no action.

Central Personnel Management

Assessment of Federal Employees' Group Life Insurance Program

GGD-86-28, 04/07/86

Background

In response to a congressional request, GAO: (1) compared the Federal Employees' Group Life Insurance (FEGLI) Program to private sector programs; (2) determined whether the program's premiums could be reduced; (3) identified any needed program reforms; and (4) analyzed FEGLI participation.

Findings

Congress intended that the FEGLI program be comparable to private sector life insurance programs. GAO noted that this objective has not been achieved because: (1) private sector plans no longer require their employees to share costs, while nonpostal federal employees pay two-thirds of the cost of FEGLI basic insurance; and (2) private sector employers typically provide basic life insurance coverage equal to 1.5 to 2 times an employee's pay, and FEGLI provides similar coverage only to employees age 40 and younger. GAO found that, although FEGLI has reduced its premiums by 44 percent during the past 10 years, the government could reduce employee costs by an additional 7.5 percent by: (1) updating the economic assumptions in the program to be consistent with those used in determining the civil service retirement system's costs; and (2) assuming responsibility for the FEGLI unfunded liability which it created due to past funding insufficiencies. In contrast with other government life insurance programs which invest their available funds in special nonmarketable federal securities, the Office of Personnel Management (OPM) has employed various investment strategies for FEGLI funds. GAO found that the nonmarketable federal securities: (1)

would be particularly appropriate for FEGLI investments because of their long-term nature; and (2) earned a higher return during 6 of the past 10 years. GAO noted that 90 percent of eligible federal employees, about 2.3 million, participate in FEGLI and 955,000 elect coverage for their families.

Open Recommendations to Congress

Recommendation: Since total federal compensation currently lags behind the private sector and FEGLI is inferior to private sector programs, Congress should consider making FEGLI comparable to the benefits available to private sector employees.
Status: Recommendation valid/action not intended.

Open Recommendations to Agencies

Recommendation: The Director, OPM, should seek legislative authorization to permit the investment of FEGLI funds in special nonmarketable federal securities.
Status: Recommendation valid/action not intended. OPM did not think that there was a compelling reason to change the investment practices of the life insurance fund.

Central Personnel Management

Blue-Collar Workers: Appraisal Systems Are in Place, But Basic Refinements Are Needed

GGD-87-72, 06/18/87

Background

GAO evaluated how the Air Force, the Army, the Navy, and the Veterans Administration have implemented performance appraisal systems for federal wage system, or blue-collar, employees.

Findings

GAO reviewed 84 performance plans applicable to 5,843 employees and found that 54 contained standards that were not clear, did not distinguish among all levels of performance, or were based on uncontrollable external factors. GAO also found that the services and VA: (1) failed to use some of the standards to measure performance; (2) inappropriately based some standards on personal traits; (3) did not always inform employees of their performance expectations in a timely manner; (4) failed to provide some employees with midyear performance feedback; and (5) communicated most performance appraisals in a timely manner.

Open Recommendations to Agencies

Recommendation: The Secretaries of the Air Force, Army, and Navy and the Administrator of Veterans Affairs should ensure that local activities conduct evaluations of performance appraisal systems and correct deficiencies. Such evaluations should pay particular attention to the types of deficiencies GAO found, as well as those cited in other evaluations that have been performed.
Addressee: Department of the Air Force
Status: Action in process. The Department of Defense (DOD) response to the final report stated that it agreed with this recommendation. In accordance with this recommendation, the Office of the Secretary of Defense (OSD) has asked DOD components to ensure continued evaluations of appraisal systems at the local level.
Addressee: Department of the Army
Status: Action in process. The DOD response to the final report stated that DOD agreed with this recommendation. In accordance with this recommendation, OSD has asked DOD components to ensure continued evaluations of appraisal systems at the local level.
Addressee: Department of the Navy
Status: Action in process. The DOD response to the final report stated that DOD agreed with this recommendation. In accordance with this recommendation, OSD has asked DOD components to ensure continued evaluations of appraisal systems at the local level.
Addressee: Veterans Administration
Status: Action in process. VA initiated various actions, including: (1) revisions to VA policy concerning the development of performance standards and annual system evaluations by local personnel offices; and (2) conduct of conferences and training for personnel

officers and supervisors to reinforce the need for high-quality performance standards and the importance of local evaluations of appraisal systems.

Executive Direction and Management

Improved Standards Needed for Managing and Reporting Income Generated Under Federal Assistance Programs

GGD-83-55, 07/22/83

Background

GAO reviewed federal agencies' and grantees' policies and practices for managing and reporting income generated under federally assisted programs.

Findings

GAO found that a number of federal agencies have not established regulations conforming to the Office of Management and Budget's (OMB) grant-related income standards or are not adequately implementing their grant-related income regulations. GAO also found that the OMB standards do not address all grant-related income issues and the income reporting requirements are not clear. As a result, the objectives which the income standards sought to attain, such as using the income to increase the size of federally assisted programs or to reduce the federal government's and grantees' share of program costs, were not always being attained.

Open Recommendations to Agencies

Recommendation: The Director, OMB, should revise Circulars A-102 and A-110 to expand the definition of program income and the financial reporting requirements to ensure that all income generated under federally assisted projects, including interest and sales proceeds, is accounted for and reported by assistance recipients.
Status: Action in process. Federal agencies have issued proposed rules to deal with this recommendation. The proposed rules are not fully responsive and GAO has commented on this to OMB.

Recommendation: The Director, OMB, should revise Circulars A-102 and A-110 to establish standards for the disposition of interest earned on: (1) program income; (2) funds not pending disbursement because of completed projects, audit exceptions, or contract settlements; and (3) sales proceeds.
Status: Action in process. Federal agencies have issued proposed rules on program income, but have not included this recommendation. GAO has commented on this to OMB.

Recommendation: The Director, OMB, should revise Circulars A-102 and A-110 to establish standards addressing the timing and allowability of program income expenditures and the classification of income derived from products of the land such as oil, gas, minerals, gravel, and standing timber.
Status: Action in process. Federal agencies' proposed rules adequately address this recommendation.

Recommendation: The Director, OMB, should revise Circulars A-102 and A-110 to expand the description of the deductive option to note that its objective of reduced costs to the government will not be achieved unless total grantee expenditures are limited to the budgeted amount approved in the grant award.
Status: Action in process. Federal agencies' proposed rules adequately address this recommendation.

Recommendation: The Director, OMB, should revise Circulars A-102 and A-110 to incorporate in the standards a statement that federal agencies should specify in their regulations which program income option is to be used by grantees when grant agreements fail to specify an option.
Status: Action in process. Federal agencies' proposed rules adequately address this recommendation.

Recommendation: The Director, OMB, should revise Circulars A-102 and A-110 to clarify in the instructions for Standard Forms 270 and 272, that all income retained by grantees is to be subtracted on their requests for drawdowns.
Status: Action in process. Federal agencies failed to include this recommendation in their proposed rules. GAO has commented on this to OMB.

Executive Direction and Management

Accuracy, Cost, and Users of the Consolidated Federal Funds Report

AFMD-85-1, 10/01/84

Background

In accordance with the Consolidated Federal Funds Report Act, GAO examined the accuracy of the data in the Consolidated Federal Funds Report (CFFR), its cost, and its potential users.

Findings

CFFR for fiscal year (FY) 1983 provided statistical data on the geographic distribution of federal funds to states, counties, and cities in a two-volume document and a computer tape. The estimated cost for 1983 CFFR was about $476,000. CFFR reflected approximately 85 percent of the domestic budget, with the major exclusion being net interest on the federal debt. GAO found that the visibility of funds reported in CFFR declined progressively at each lower geographic level, with data at the subcounty level being so limited that their usefulness was questionable. The decline in data availability was due to the fact that the data sources on which CFFR was based generally did not track dollars to the location of all the actual recipients. In addition, inherent difficulties existed in converting the various geographic coding schemes used by the data sources to the coding scheme used by the Census Bureau. A broad spectrum of user groups expressed a need for CFFR data. Some users were particularly concerned about the lack of data available on pass-through funds below the state level. Many user groups expect CFFR to meet some of their needs, but they will probably use it along with other sources. However, user knowledge is limited.

Open Recommendations to Agencies

Recommendation: The Director of the Office of Management and Budget (OMB) should continue efforts to explore the feasibility of various alternatives to increase the visibility of pass-through funds data at the county level and include these data in future reports, if such alternatives are cost-effective.
Status: Action in process. OMB incorporated some pass-through fund data in the FY 1985 report and is exploring ways to provide additional data in future reports. This will be an ongoing effort.

Recommendation: The Director, OMB, should continue to work with user groups to identify their data needs and to obtain their input on desired improvements.
Status: Action in process. OMB is currently working with users and should continue this type of coordination to determine ways to improve the report. This will be an ongoing effort.

Executive Direction and Management

Improved Management Processes Would Enhance Justice's Operations

GGD-86-12, 03/14/86

Background

GAO reviewed the Department of Justice's management structure and management support systems to assess how departmentwide management support functions assist the Attorney General in directing and overseeing Justice's operations.

Findings

GAO found that Justice needs: (1) an institutional process for developing long-range departmental goals to guide its

program planning and budgeting decisions; (2) an established means for overseeing program planning to ensure that the Attorney General's priorities are adequately addressed; (3) to clarify responsibilities for overseeing debt collection activities; and (4) a departmentwide program to ensure that automatic data processing (ADP) and telecommunications techniques are planned, acquired, and used effectively and economically. GAO also found that: (1) a stronger information resources management (IRM) system could have helped Justice's development of a litigative case management system to provide basic program data; (2) Justice financial management systems do not properly account for and control resources or permit adequate monitoring of program performance; and (3) Justice could use different processes for assessing the efficiency and effectiveness of its operations, specifically, audit and evaluation, position management reviews, and productivity management.

Open Recommendations to Agencies

Recommendation: The Attorney General should create a policy-level capability for: (1) coordinating the development of strategic long-range goals to provide direction to Justice; (2) overseeing component program planning and budgeting to ensure compliance with the goals; and (3) monitoring program implementation to ensure that policy goals are achieved within the parameters of approved program and financial plans.
Status: Action in process. Justice created the Department Resources Board (DRB) to serve as the Attorney General's strategic management team. Staff support is provided by the Justice Management Division (JMD). The DRB mandate encompasses this recommendation. DRB is credited with providing a greater focus to management issues within Justice that previously existed.

Recommendation: The Attorney General should develop a plan for managing Justice's information resources. To ensure successful plan development and implementation, the senior official responsible for IRM should be experienced in the planning and program coordination of IRM and clearly possess the authority to direct component actions on ADP and telecommunications activities in order to ensure that component plans, budgets, and activities conform with established goals and the departmental plan.
Status: Action in process. Justice developed an AIS plan, approved by the Attorney General in January 1987. Through DRB and the budget process, component adherence to the plan is monitored.

Recommendation: The Attorney General should provide priority and sustained attention to implementing the departmental financial management plan and developing a departmentwide integrated financial management system that will provide the cost information needed to: (1) control funds expended on programs; and (2) support Justice's policy and program monitoring planning system.
Status: Action in process. Justice's financial management plan, sent to the Office of Management and Budget (OMB) in January 1987, is being implemented. Implementation is being monitored through the 5-year management and productivity improvement plan. The pilot project has been modified to focus on development within budget constraints.

Recommendation: The Attorney General should emphasize the use of program effectiveness reviews to provide policy officials with independent assessments of the effectiveness and efficiency of program implementation on which to base decisions to continue or alter policy decisions.
Status: Action in process. The Deputy Attorney General directed that several reviews be made of major management issues within Justice to provide a basis for decisionmaking.

Recommendation: The Attorney General should ensure the effective implementation of the Management and Productivity Improvement Program. This effort will require that: (1) the components develop specific productivity performance component goals, as well as the measures needed to assess performance; (2) the program become an integral part of the overall Justice planning and budgeting process; and (3) Justice's focal point for the program effectively oversees the components' productivity improvement, disseminates information on good practices and efforts, and ensures that effective accountability mechanisms and incentives are in place for identifying productivity opportunities.
Status: Action in process. The Office of Policy and Planning was created to lead departmentwide productivity efforts. A comprehensive productivity and management plan was developed. Plans now call for 52 percent of Justice's full time employees to be covered by productivity measures. The 5-year management and productivity plan revision indicated the status of 52 initiative and described 15 new initiatives.

Recommendation: The Attorney General should ensure greater utilization of position management reviews by the components so that opportunities to achieve staffing efficiencies are identified.
Status: Action in process. A departmentwide position management program was established by an Attorney

General Memorandum on April 21, 1986. Formal implementation is on hold as Justice awaits the revision of OMB guidance.

Recommendation: The Attorney General should ensure that a primary objective of each system enhancement effort conforms to the system, when implemented, and with the Comptroller General's accounting principles, standards, and related requirements.
Status: Action in process. GAO reviewed Justice's plan favorably. Actual plan implementation is being affected negatively by limited budget resources.

Recommendation: The Attorney General should ensure that an effective system is developed to assist the Immigration and Naturalization Service's (INS) Office of the General Counsel (OGC) in its debt collection efforts.
Status: Action in process. INS plans to develop an OGC debt collection system, subject to the availability of funds. INS reactivated development of a debt collection system for OGC, which will be modified and tied into its accounting system. Funding is provided from the INS user fee account. The contractor will complete system implementation by January 1, 1988.

Recommendation: The Attorney General should ensure that affirmative litigation collections are recorded in Justice's general ledger.
Status: Action in process. A consolidated reporting system has been developed for legal process debts. The reporting requirements were designed to call for information that will support future general ledger processing. Justice has been enjoined from fully implementing the system to include five districts still using the old docketing and reporting system.

Recommendation: The Attorney General should ensure that an effective departmentwide system is developed to account for total seizures and forfeitures.
Status: Action in process. Accountability for these assets is a major feature of Justice's financial management plan, currently being implemented. An automated Assets Forfeiture Tracking System is currently being developed. Major operational improvements are being made in processing forfeitures. New guidance has been issued on handling evidentiary cash.

Recommendation: The Attorney General should rescind the exclusion of proposed Federal Bureau of Investigation (FBI) contracts from departmental review.
Status: Action in process. This issue was under active review by Justice, but dialogue between Justice's Procurement Executive and FBI to resolve the matter is currently suspended.

Recommendation: The Attorney General should clearly establish the responsibility for operating the processes and systems necessary to support the implementation of an integrated management system.
Status: Recommendation valid/action not intended. Justice developed a reorganization proposal in May 1987, which would establish a second Associate Attorney General position, freeing the Deputy to be a full-time operational officer. Justice requested congressional approval for this action. However, the issue became embroiled with other issues and no action is imminent.

Executive Direction and Management

Discretionary Grants: Opportunities To Improve Federal Discretionary Award Practices

HRD-86-108, 09/15/86

Background

In response to a congressional request, GAO reviewed federal management of discretionary assistance programs, specifically the policies and practices agency officials use to decide which eligible applicants receive awards and how much they receive.

Findings

GAO found that: (1) most federal discretionary grant programs have competitive processes to solicit and review applications; (2) nearly two-thirds attempt to solicit applications from all eligible applicants; and (3) over three-fourths use persons from outside the program office to provide an independent perspective in the review of

applications. GAO believes that the discretionary grant process could be strengthened in many programs to enhance competition and promote accountability for award decisions through: (1) more rigorous review of unsolicited applications; (2) internal review of decisions restricting the scope of applicant solicitation; (3) the use of independent reviews; and (4) managerial accountability for deviation from reviewers' recommendations in the award decision process.

Open Recommendations to Agencies

Recommendation: The Director, Office of Management and Budget (OMB), through the President's Council on Management Improvement (PCMI), should work with federal agencies to require written justification reviewable by high-level agency officials for grant award practices that restrict widespread solicitation of all eligible applicants, and that do not use at least some independent officials outside the program office to review applications.
Status: Action in process. OMB referred the GAO report and recommendations to PCMI. A PCMI task force group has been meeting regularly to discuss the issue and how to get federal agencies to adopt the recommendations. Proposed working group recommendations may not be responsive to the GAO recommendation.

Recommendation: The Director, OMB, through PCMI, should work with federal agencies to require program managers to provide written justification for award decisions that deviate from reviewers' recommendations.
Status: Action in process. OMB referred the GAO report and recommendations to PCMI. A PCMI task force group has been meeting regularly to discuss the issue and how to get federal agencies to adopt the recommendations. The proposed working group recommendation is responsive to the GAO recommendation.

Recommendation: The Director, OMB, through PCMI, should work with federal agencies to require approval, at a level higher than the program managers, for funding unsolicited applications.
Status: Action in process. OMB referred the GAO report and recommendations to PCMI. A PCMI task force group has been meeting regularly to discuss the issue and how to get federal agencies to adopt the recommendations. The proposed working group recommendation is responsive to the GAO recommendation.

Recommendation: The Director, OMB, through PCMI, should recognize the discretionary grant award process as a potentially vulnerable area for review under the Federal Managers' Financial Integrity Act (FIA).
Status: Action in process. The PCMI task force developed a checklist for FIA review, adopting the competitive elements GAO discussed in the report. This will be presented to PCMI for approval.

Executive Direction and Management

Social Security Administration: Stable Leadership and Better Management Needed To Improve Effectiveness

HRD-87-39, 03/18/87

Background

GAO reviewed management problems that the Social Security Administration (SSA) must address to ensure the continued delivery of high-quality service to social security recipients.

Findings

GAO noted that SSA has serious management problems that: (1) are not evident to the public; (2) have contributed to crisis situations in the past; and (3) could interfere with SSA ability to effectively accomplish its mission in the future. GAO found that SSA: (1) has had seven commissioners or acting commissioners over the last 10 years, resulting in frequent changes in priorities, diminished accountability, and little long-term operational planning; (2) has made little progress in modernizing its computer system, particularly its software; (3) plans to spend over $600 million to modernize its computer system; (4) does not have a plan to systematically identify and develop future leaders and managers; and (5) cannot ensure that employees' wage records are accurate. GAO also found that SSA: (1) makes substantial benefit overpayments annually; (2) has been unable to correct its financial management problems because of fragmented responsibility and lack of leadership; (3) has allowed wide

variations in efficiency among similar units because of its limited emphasis on efficiency; (4) has neither established nor used measurable, national benchmarks for service quality or timeliness for certain post-entitlement work loads; and (5) has many employees who are uncertain about the future of their jobs and are dissatisfied with many management actions.

Open Recommendations to Congress

Recommendation: To provide more stable leadership for SSA, Congress should enact legislation fixing the term of the Commissioner of Social Security at 8 years. In the case of removal, the President should be required to inform Congress of the reasons. In addition, Congress should periodically monitor SSA progress in solving its managerial and operational problems. If, in the long term, Congress believes the recommended actions are insufficient, it should consider other organizational alternatives to administer social security programs.
Status: Action not yet initiated.

Recommendation: To help sustain the planning process established by Commissioner Hardy and to encourage SSA to follow the long-term plan developed, the appropriate congressional committees should hold periodic hearings on the status of the process and the plan. The committees and SSA should try to agree on the thrust of the long-term plan and the actions and support needed to achieve it. Such agreement would help focus subsequent oversight on progress, problems and their causes, and substantial changes to the plans.
Status: Action not yet initiated.

Recommendation: Congress should consult with SSA on the time needed to automate legislative requirements promptly, efficiently, and effectively and consider the information provided by SSA in establishing effective dates.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: In recognition of the critical importance of social security to the nation and to the problems SSA has experienced with instability of leadership and frequent changes in direction, especially regarding computer systems modernization, the President should limit, to the extent possible, the appointment of Commissioners of Social Security on an acting basis.
Status: Action not yet initiated. A formal follow-up is in progress.

Recommendation: In recognition of the critical importance of social security to the nation and the problems SSA has experienced with instability of leadership and frequent changes in direction, especially regarding computer systems modernization, the President should, when nominating persons to fill the commissioner's position, focus on individuals who: (1) view the position as one requiring long-term commitment; (2) are inclined to focus attention on resolving significant long-standing problems; (3) are comfortable adhering to long-term operational and computer systems modernization plans, unless major changes are justified and concurred in by the Secretary of Health and Human Services and reported to the appropriate congressional committees; and (4) are committed to the programs' goals and to providing high-quality, efficient service to social security recipients.
Status: Action not yet initiated. A formal follow-up is in progress.

Recommendation: The Commissioner of Social Security should improve the SSA organizational structure so that it is better able to sustain efforts to address problems when confronted by the changing priorities and agendas of different commissioners. The Commissioner should take the following short-term actions to improve accountability for SSA programs and major initiatives: (1) establish a general deputy commissioner, or comparable position, preferably from the career service, to share responsibility for managing SSA daily operations and to enhance stability during transitions in commissioners; and (2) maintain a small central policy, planning, and management staff, reporting to the Commissioner's office, to facilitate agencywide planning, monitor and integrate component planning and activities, and oversee performance of agencywide issues. This staff should also facilitate effective coordination with other agencies.
Status: Action in process. SSA established a central planning staff in the Office of the Commissioner, and an Office of the Chief Financial Officer. SSA has received HHS approval for an SSA General Manager position, and has advertised, but not selected a person for it.

Recommendation: For the longer term, the Commissioner of Social Security should consider the major changes needed in SSA headquarters and field structure to best facilitate: (1) making decisions and policy; (2) developing and implementing plans; (3) improving program and functional accountability; (4) reducing levels of review; and (5) establishing clearer delineation between line and staff.
Status: Action in process. SSA placed the Office of Systems under the Deputy Commissioner for Operations, and moved the Office of Assessment from the Deputy for Management to the Chief Financial Officer.

Recommendation: The Commissioner of Social Security should: (1) establish a controller or comparable position to consolidate and enhance the importance of financial management at SSA; (2) require SSA deputy commissioners to work with the controller to improve SSA financial management systems and to perform Financial Integrity Act reviews of SSA benefit payment processes; (3) direct the controller to work together with the Social Security Board of Trustees to develop an auditable set of financial statements for social security programs; and (4) work with the Inspector General, Department of Health and Human Services (HHS), and the Department of the Treasury to arrange for an independent audit of the financial statements.
Status: Action in process. SSA established a chief financial officer and is in the process of organizing the office. SSA has developed its initial set of fiscal year (FY) 1986 financial statements, and is currently having its FY 1987 statements audited by the HHS Inspector General.

Recommendation: The Commissioner of Social Security should maintain for significant decisions a formal and structured decisionmaking process that sets forth: (1) who can make what decisions; (2) the documentation that must be prepared, including analyses of alternatives and risks; (3) how and when the views of knowledgeable or affected employees and outside independent experts should be obtained; and (4) how decisions should be communicated to employees who need to know.
Status: Action in process. SSA is presently formalizing the process.

Recommendation: The Commissioner of Social Security should: (1) develop and implement agencywide, long- and short-term operational plans; (2) consult with HHS, the Office of Management and Budget, congressional committees, states, client groups, and others as to how SSA should do business in the future, as part of the process of formulating a long-term plan; and (3) use the plan to guide policy, budget, and automated data processing (ADP) systems decisions and hold managers accountable for adhering to it.
Status: Action in process. SSA is developing an entire coordinated SSA-wide planning system, including a high-level planning staff, development of long-range plans, coordination of component short-range plans, and accountability through an improved budget process. The long-range plan was submitted to the Commissioner in November 1987 for approval.

Recommendation: The Commissioner of Social Security should take the following actions to improve budget development in SSA: (1) expand on the May 1986 permanent agencywide annual budget instructions covering all components in SSA to adhere to the objectives set forth in the November 1984 proposal submitted by the Acting Deputy Commissioner for Management and Assessment; (2) hold managers accountable for adherence to budget policy and requirements; and (3) establish standards for the amount of time SSA should take to complete its various work loads and use those standards in developing the SSA budget for operating staff. These standards could be based on engineering studies or on actual times required by better performing offices to do the work. Any adjustments to the standards should be based on careful study reflecting the appropriate time needed to implement operational changes.
Status: Action in process. A new set of budget guidelines is being developed.

Recommendation: The Commissioner of Social Security should: (1) through Senior Executive Service (SES) contracts, hold appropriate managers involved in the regulation development process accountable for complying with the new rulemaking procedures; and (2) identify underlying causes of Program Operations Manual System (POMS) problems, develop specific plans for correcting them, and through SES contracts and merit pay plans, hold managers accountable for implementing agreed-upon actions.
Status: Action in process. Changes to the regulation development process, improvements to the POMS system, and changes to SES contract language are all undergoing agency actions. No final actions have been taken.

Recommendation: The Commissioner of Social Security should: (1) periodically evaluate whether the new process is reducing the time it takes to finalize regulations and implement further improvements if warranted; and (2) periodically survey operating personnel to determine the extent to which improvements in POMS have been effective.
Status: Action in process. A formal follow-up is in progress.

Recommendation: To help gain better managerial and technical control over SSA computer operations and modernization efforts, the Commissioner of Social Security should complete those aspects of a long-term operational plan that set forth how SSA will deliver services in the future, and revise the modernization strategy to be consistent with the service delivery needs. Managers should be held accountable for adhering to the modernization strategy unless changes are fully justified.
Status: Action in process. SSA has completed development of its long-range plan and is incorporating the ADP elements of the agencywide plan into its ADP planning process.

Recommendation: To help gain better managerial and technical control over

SSA computer operations and modernization efforts, the Commissioner of Social Security should establish an effective process for making key ADP decisions, which is based upon thorough analysis of mission needs, priorities, alternatives, and their costs and benefits and the effect on other aspects of the Systems Modernization Plan. SSA should continue to routinely obtain advice on major decisions from well-qualified, independent technical consultants knowledgeable about SSA programs, operations, and ADP environment.
Status: Action in process. A formal follow-up is in progress. SSA Deputy Commissioners have met to formulate the future direction and priorities for ADP modernization.

Recommendation: To help gain better managerial and technical control over SSA computer operations and modernization efforts, the Commissioner of Social Security should: (1) expeditiously establish effective project control and integration for the modernization effort, including more effective use of an integration contractor to help integrate Systems Modernization Plan projects and make the transition from the old to the new computer system; and (2) reassess whether the location of the ADP procurement review function within the Office of Systems provides sufficient internal control over this process.
Status: Action in process. A formal follow-up is in progress. Some major organizational changes are underway.

Recommendation: To help gain better managerial and technical control over SSA computer operations and modernization efforts, the Commissioner of Social Security should: (1) accelerate the completion of software development standards and implementation of effective enforcement mechanisms; (2) not begin software design work until sufficient work has been completed on functional requirements and systems users approve the requirements; and (3) enhance controls over user changes to functional requirements after software design has begun.
Status: Action in process. A formal follow-up is in progress. Software development continues to be far behind schedule.

Recommendation: To help gain better managerial and technical control over SSA computer operations and modernization efforts, the Commissioner of Social Security should: (1) identify the number, type, and qualifications of ADP personnel needed to carry out the modernization program and maintain and improve the current systems; and (2) take steps to obtain the necessary skills.
Status: Action in process. A formal follow-up is in progress.

Recommendation: To help gain better managerial and technical control over SSA computer operations and modernization efforts, the Commissioner of Social Security should designate a qualified technical manager to lead and be accountable for the SSA modernization effort.
Status: Action in process. The Office of Systems has been placed under the control and leadership of the Deputy Commissioner for Operations.

Recommendation: To help gain better managerial and technical control over SSA computer operations and modernization efforts, the Commissioner of Social Security should periodically survey Systems' staff morale, particularly regarding organizational and management problems perceived as contributing to low morale, to determine whether improvements have resulted.
Status: Action in process. SSA is conducting an agencywide survey of employee job satisfaction and morale.

Recommendation: Because SSA will be dependent on its inefficient existing systems for a longer time due to major delays in redesigning its new system, the Commissioner of Social Security should also reexamine the current allocation of resources and priorities established for maintaining and improving the existing system and redesigning the new one. This reexamination should focus on: (1) developing a clear picture of how the new system will be implemented, including how system components will be integrated, how SSA will make the transition from the existing system to the new system, and when major redesigned system components will be operational; and (2) assessing the effect that problems in the existing system, such as the inefficient software and manual operations, are having on service to the public. Such an assessment should include an estimate of the resources and time that would be required to correct the problems in relation to when the redesigned system will be operational.
Status: Action in process. A formal follow-up is in progress.

Recommendation: To help gain better management control over management information, the Commissioner of Social Security should: (1) develop a comprehensive management information policy commensurate with the agency long-range operational plan; (2) establish performance standards and measures that are based on the goals and objectives in the operational plan; (3) develop future management information requirements based upon the modernized computer system; and (4) intensify efforts to improve SSA data bases and establish an SSA-wide focal point for overseeing and integrating SSA management information and data base activities, including reviews and evaluations.

Status: Action in process. No progress has been made in this area; however, a new Associate Commissioner has been assigned to this area to refocus efforts.

Recommendation: The Commissioner of Social Security should take the following actions to enhance productivity, without diminishing the organization's strong commitment to providing high-quality service to the public: (1) improve SSA focus on productivity by establishing more specific expectations for efficiency in SES contracts and merit pay plans as a basis for gauging performance (regional and local variations can be recognized where justified); (2) require the use of work measurement data and periodic cost reports for all SSA cost centers, such as regional, area, and district offices, to identify targets of opportunity for improved efficiency and cost-effectiveness; (3) allocate staff resources to similar units, district/branch offices and program service centers, based on performance expectations; and (4) develop and implement strategies for addressing external factors that could impede improved efficiency.
Status: Action in process. A formal follow-up is in progress.

Recommendation: The Commissioner of Social Security should: (1) establish national performance standards and measures for important services, such as address changes and services to Medicare beneficiaries; (2) hold managers accountable for meeting performance standards; (3) consider what additional actions are necessary to improve notices sent to the public and SSA ability to respond to recipient questions, specifically expediting necessary computer system improvements, holding employees and supervisory personnel more accountable for notice quality, and determining the extent to which SSA field offices have sufficient information to explain notices to recipients; and (4) more systematically identify field office problems in serving Medicare beneficiaries and promptly develop resolutions. The Commissioner should seek assistance from the Secretary of Health and Human Services, if necessary.
Status: Action in process. SSA is beginning a pilot project to determine the feasibility of imposing work standards on its organization.

Recommendation: The Commissioner of Social Security should: (1) improve communications with employees on major changes planned or underway, their benefits and possible adverse effects on employees, actions planned or being taken to address these problems, and progress being made, giving priority to better informing employees on more specifics about staff reductions and systems modernization; (2) as part of her initiative to improve communication with employees, further encourage managers and supervisors to solicit employees' advice on SSA-wide changes needed or how to best deal with various changes; and (3) reassess SES contracts and merit pay plans to see that work production goals give consideration to the time employees need to learn new techniques during Systems Modernization Plan implementation.
Status: Action in process. A formal follow-up is in progress.

Recommendation: The Commissioner of Social Security should assess what can be done to address employee concerns about diminishing advancement opportunities, such as restructuring jobs or reevaluating grade structures for employees assuming greater or more complex responsibilities as a result of increased computerization and shifting of responsibilities among units.
Status: Action in process. A formal follow-up is in progress.

Recommendation: The Commissioner of Social Security should: (1) determine what senior- and mid-level manager positions will likely have to be filled over the next several years, the adequacy of the existing pool of available candidates, and the specific recruitment and development changes needed so that SSA will have enough qualified candidates to fill future vacant positions; (2) establish a formal program to identify and develop managers at all levels of the organization; (3) determine how SSA can make staff more aware of requirements and availability of training for new supervisors and managers and the benefits that accrue from fulfilling the current training curriculum; and (4) develop a training program to enhance the knowledge, skills, and abilities of lower level staff to assume future supervisory and management positions. Such a program could be similar to the training program SSA now has for newly promoted or assigned supervisors and managers.
Status: Action in process. A formal follow-up is in progress.

Recommendation: The Commissioner of Social Security should reassess SSA selection practices for supervisors to minimize the selection of employees who do not have the appropriate skills and abilities for, or who do not fully understand, the duties and responsibilities of the job. In addition, the Commissioner should reassess the structure of the operations supervisor position to determine how more emphasis can be placed on making it more rewarding and attractive.
Status: Action in process. A formal follow-up is in progress.

Recommendation: The Commissioner of Social Security should: (1) reassess the emphasis given to initial claims statistics by managers to determine whether changes would be appropriate to achieve

a more balanced approach to all important work loads and other objectives; (2) more clearly define and set objectives for the SSA goal of maintaining a favorable work climate, include such objectives in SES contracts and merit pay plans, and systematically measure progress; and (3) improve the effectiveness of employee recognition efforts by allocating a portion of award funds to all operational components based on unit performance, and emphasizing to supervisors and managers, through training or other means, the importance of prompt recognition of employee contributions.
Status: Action in process. SSA now apportions awards funds based in part on unit performance.

Executive Direction and Management

Information Management: Leadership Needed in Managing Federal Telecommunications

IMTEC-87-9, 05/06/87

Background

In response to a congressional request, GAO examined whether the Office of Management and Budget (OMB) and the General Services Administration (GSA) are providing the necessary leadership and making sound decisions for managing the federal government's telecommunications.

Findings

GAO noted that OMB is required to develop, in consultation with GSA, a 5-year plan for meeting the federal government's telecommunications needs, but the agencies have not: (1) collected adequate information on agency requirements for various telecommunications services; (2) derived appropriate methodologies for evaluating governmentwide costs; (3) made decisions as to which services should be provided centrally; and (4) identified the need for specific technical standards. GAO found that the absence of meaningful governmentwide planning has: (1) left the government open to the risk of serious problems in developing and replacing telecommunications systems; and (2) made it impossible to determine whether the government is meeting overall telecommunications objectives. In addition, GAO found that: (1) GSA did not support important procurement decisions with meaningful analyses; (2) a GSA analysis of alternatives to replacing the existing Federal Telecommunications System (FTS) lacked credibility; (3) GSA awarded a contract for a more extensive analysis of the FTS replacement alternatives, including a cost-benefit analysis of principal alternatives; (4) GSA did not consider the sharing of telecommunications systems when it reviewed agencies' requests for authority to acquire their own systems; and (5) the government would have saved an estimated $16 million over a 10-year period if GSA had approved shared, rather than individual, systems in three locations.

Open Recommendations to Agencies

Recommendation: In order to provide a framework for decisionmaking, to define agency telecommunications needs, to decide which services should be provided centrally by GSA and which services should be provided by the agencies, and to establish responsibilities between the central managers and the individual agencies, OMB and GSA should jointly develop, document, and implement a comprehensive plan for meeting governmentwide telecommunications needs. This plan should: (1) be developed using the guidance OMB and GSA prescribed for the agencies in the 5-year automatic data processing/telecommunications plan, but should be applied to the central management level; (2) be based on appropriate analyses that are necessary for making decisions on how agencies' needs will be met; and (3) include established economic and noneconomic criteria. OMB and GSA should establish a process to gather critical information so that they, as central managers, can make informed decisions on these issues.
Addressee: Office of Management and Budget
Status: Action not yet initiated. OMB has not yet determined how to best develop this plan.
Addressee: General Services Administration
Status: Action not yet initiated. GSA has not yet determined how to best develop this plan.

Recommendation: Until OMB and GSA complete the framework document

regarding which services should be provided centrally by GSA and which services should be provided by the agencies themselves, the Administrator of General Services should: (1) not approve agency purchases of individual systems where the agencies were originally intended to be served by the Washington Interagency Telecommunications System (WITS); (2) recall approvals already issued to agencies originally intended to be served by WITS where their requests for proposals for individual telecommunications systems have not yet been issued; and (3) not award a contract for FTS 2000.
Status: Action in process. GSA is proceeding to recall approvals issued to agencies intended to be served by WITS. The controversy over FTS 2000 has resulted in GSA delaying the submission of proposals until further notice.

Recommendation: To enhance agency decisionmaking on telecommunications that would best satisfy needs and objectives, OMB and GSA should establish an explicit, uniform methodology for comparing alternatives. The methodology should describe the essential cost elements and the procedures for conducting analyses, and should be enforced by OMB in its budget process, and GSA in its review process.
Addressee: Office of Management and Budget
Status: Action in process. OMB Circular A-11, June 8, 1987, directed agencies to develop cost-benefit analyses for major information technology initiatives following Federal Information Processing Standard No. 64. Agencies are to submit their analyses with initial budget submissions.

Addressee: General Services Administration
Status: Action in process. GSA drafted proposed changes to its regulations on the acquisition of telecommunications resources. These draft regulations are under review by OMB.

Recommendation: The Director, OMB, should work with the Administrator of General Services, to establish and systematically implement a policy requiring agencies to share their proposed telecommunications systems when GSA determines, through a cost and technical analysis, that sharing best achieves service requirements, efficiency, and the least overall cost to the government. This policy should be incorporated in the GSA Federal Information Resources Management Regulations and in internal procedures.
Addressee: Office of Management and Budget
Status: Action in process. OMB is reviewing GSA-proposed changes to its regulations establishing a governmentwide sharing policy.
Addressee: General Services Administration
Status: Action in process. OMB is reviewing GSA-proposed changes to its regulations establishing a governmentwide sharing policy.

Recommendation: To implement the policy concerning shared telecommunications systems, the Administrator of General Services should direct the Information Resources Management Service to ensure that information identifying which agencies might share systems is acquired and used.
Status: Action not yet initiated. GSA has not yet initiated action.

Recommendation: To implement the policy concerning shared telecommunications systems, the Administrator of General Services should direct the Information Resources Management Service to obtain additional information where the potential for sharing exists between the requesting agency and other agencies. This information should include: (1) which telecommunications requirements of these agencies can be met by a new, shared system; (2) the costs of existing services for all agencies involved and estimated costs for the requesting agency's proposed system; (3) physical requirements for the private branch exchange; and (4) how long the agencies will occupy their current locations.
Status: Action in process. GSA is changing its procedures for reviewing agency requests to acquire telecommunications resources to cover the agency's consideration of sharing.

Recommendation: To implement the policy concerning shared telecommunications systems, the Administrator of General Services should direct the Information Resources Management Service to mandate an evaluation and cost comparison when GSA determines that a shared system is feasible. In this evaluation, GSA should clarify the alternatives to the government, including agencies' claims of adverse impacts from sharing, and the most sensible alternative from a governmentwide viewpoint.
Status: Action in process. GSA is changing its procedure for reviewing agency requests to acquire telecommunications resources to cover the agency's consideration of sharing.

Executive Direction and Management

Internal Controls: Federal Supply Service Depot Transportation Costs Can Be Reduced

GGD-87-63, 05/08/87

Background

GAO reviewed management controls over Federal Supply Service (FSS) supply distribution operations to assess how well FSS management control systems ensure that motor freight transportation costs are held to a minimum.

Findings

GAO found that FSS: (1) spends about $37 million to transport depot-stocked merchandise by motor freight carrier to federal agencies; (2) spends an additional $7 million annually to transport goods to federal agencies by other means; and (3) could save an estimated $3.8 million of the $37 million annually by consolidating shipments. GAO also found that FSS does not always consolidate shipments because: (1) it does not monitor depot performance in consolidating shipments, but monitors and holds depots accountable for meeting timeliness goals for processing and shipping agency orders; (2) its policy prohibits consolidating priority shipments with nonpriority shipments; and (3) its automated system requires depots to manually consolidate shipments, since the system processes orders separately according to the storage location of the merchandise within the depot. GAO noted that FSS is currently studying the feasibility of automating its depot operations, which would address the problems associated with producing shipping documents concurrently with order filling documents, but would not address the problems relating to different depot storage locations or the prohibition against merging priority and nonpriority orders.

Open Recommendations to Agencies

Recommendation: To realize the transportation cost savings available through consolidation of multiple shipments, the Administrator of General Services should direct the Commissioner, FSS, to modify the internal control system, which holds FSS depots accountable for meeting shipment timeliness goals, to include accountability for consolidating multiple, same-day shipments to the same customer agency.

Status: Action in process. Estimated completion date: 03/88. The General Services Administration (GSA) expects proposed industrial funding legislation to be enacted. This will make FSS depots accountable for all costs, including transportation, where appropriate.

Recommendation: To realize the transportation cost savings available through consolidation of multiple shipments, the Administrator of General Services should direct the Commissioner, FSS, to include, as part of its depot automation project, the feasibility of modifying automated system processes to minimize the generation of documents that, without manual intervention by depot personnel, authorize multiple shipments.

Status: Action in process. The depot automation project, scheduled for implementation in September 1989, includes a procedure whereby shipping documents will be prepared after selection of material. This procedure will eliminate cosignees receiving more than one bill of lading that was issued on the same day from the same location.

Executive Direction and Management

OPM Revolving Fund: Investigation Activities During Fiscal Years 1983 Through 1986

GGD-87-81, 06/26/87

Background

GAO reviewed the Office of Personnel Management's (OPM) revolving fund to finance federal employee background investigations.

Findings

GAO found that: (1) the backlog of uncompleted investigations grew significantly from fiscal year (FY) 1982 to 1984, but decreased in FY 1986; (2) OPM did not hire sufficient investigators to keep current with agency investigation requests; (3) uncertainties about the OPM budget and personnel ceilings caused delays in recruiting in the regions; and (4) although OPM has contracted with individuals and companies to increase its investigator staff, OPM was dissatisfied with the contractors' quality of work. GAO believes that OPM should not use fiscal constraints to justify its lack of investigative staff, since other agencies reimburse it for all of its costs through the revolving fund.

Open Recommendations to Agencies

Recommendation: The Director, OPM, should provide the investigative activity authority to hire and maintain an investigator staff at levels which would improve the timeliness of background investigations and reduce the backlog to a manageable level.

Status: Action in process. Authority to hire has been provided. OPM is in the process of getting to the authorized level.

Executive Direction and Management

HHS Office for Civil Rights: Questions Regarding Travel by the Director

HRD-87-84, 07/02/87

Background

In response to a congressional request, GAO examined the travel and procurement practices of the director of the Department of Health and Human Services (HHS) Office for Civil Rights (OCR) to determine the reasonableness of the director's extensive travel at government expense when HHS operations were facing major cutbacks.

Findings

GAO found that: (1) during fiscal years 1984 through 1986, the director made 83 domestic trips at a total cost of $49,640.94, and 7 international trips at a total cost of $14,159.35; (2) the director generally conformed with HHS regulations regarding blanket travel orders; (3) the director was not required to document the specific purposes of her domestic trips because she traveled under blanket orders and approved her own travel orders; (4) OCR staff could provide documentation for only 29 of the 46 domestic trips to conferences and meetings; (5) there was no independent review of whether the expenses the director claimed for domestic travel were justified or reasonable; and (6) the director did not adhere to HHS international travel requirements for advance approval, planning, and documentation of her seven international trips. GAO noted that it referred the director's authorization of the award of a $1,500 purchase order and possible falsification of travel vouchers to the Federal Bureau of Investigation for further review.

Open Recommendations to Agencies

Recommendation: Based on the review of domestic travel, the Secretary of Health and Human Services should require periodically an independent review of the reasonableness and justification of the trips taken and expenses claimed by officials who authorize and approve their own travel orders and vouchers.
Status: Action not yet initiated. HHS will provide its formal response to this recommendation in January 1988.

Recommendation: Based on the review of domestic travel, the Secretary of Health and Human Services should require documentation on file as to the purposes for trips taken under blanket travel orders.
Status: Action not yet initiated. HHS will provide its formal response to this recommendation in January 1988.

Recommendation: Based on the review of domestic travel, the Secretary of Health and Human Services should require that trips to conferences and meetings by personnel who normally travel under blanket travel orders be authorized on a trip-by-trip basis.
Status: Action not yet initiated. HHS will provide its formal response to this recommendation in January 1988

Recommendation: The Secretary of Health and Human Services should take steps to enforce the existing requirements for international travel, including those on advance approval, planning, and trip reports.
Status: Action not yet initiated. HHS will provide its formal response to this recommendation in January 1988.

Recommendation: The Secretary of Health and Human Services should require periodically an independent review of the reasonableness of the international travel expenses claimed by officials who authorize and approve their own vouchers.
Status: Action not yet initiated. HHS will provide its formal response to this recommendation in January 1988.

Executive Direction and Management

Information Management: Status of GSA's FTS 2000 Procurement

IMTEC-87-42, 08/24/87

Background

Pursuant to a congressional request, GAO evaluated the applicability of the recommendation for the delay of the Federal Telecommunications System (FTS) 2000 long distance telecommunications contract award until the General Services Administration (GSA) and the Office of Budget and Management (OMB) clarify which telecommunications services should be provided centrally and which should be provided by individual agencies.

Findings

GAO found that, although GSA has taken recent actions to follow previous recommendations, any long-term reliance on that strategy is undesirable due to the lack of detailed: (1) support for the GSA telecommunications acquisition strategy; and (2) analysis of other approaches, such as multiple partial awards and mandatory subcontracting. Nevertheless, sufficient short-term advantages exist in a transition from the current FTS system to make FTS 2000 a viable interim solution.

Open Recommendations to Agencies

Recommendation: The Administrator of General Services should proceed to award the FTS 2000 contract as an interim means of meeting the government's long distance telecommunications requirements.
Status: Action not yet initiated. GSA is currently processing a response to the report.

Recommendation: GSA should immediately establish and commit itself to a long-term program to identify and analyze a range of plausible alternatives concerning the economics and technical capabilities of the telecommunications equipment and service markets in the post-1992 period.
Status: Action not yet initiated. GSA is currently processing a response to the report.

Recommendation: GSA should immediately establish and commit itself to a long-term program to identify and analyze a range of plausible alternatives concerning agency and governmentwide, end-to-end telecommunications requirements in the post-1992 period.
Status: Action not yet initiated. GSA is currently processing a response to the report.

Recommendation: GSA should immediately establish and commit itself to a long-term program to identify and analyze a range of plausible technical alternatives and associated implementation, operational, transition, acquisition, and funding strategies for addressing these requirements.
Status: Action not yet initiated. GSA is currently processing a response to the report.

Recommendation: GSA should immediately establish and commit itself to a long-term program to evaluate these alternatives and strategies in terms of their ability to meet the total telecommunications needs of the entire government, life-cycle costs, difficulty of execution, need for technical and managerial skills by agencies as well as GSA, congressional support for required funding, and market availability.
Status: Action not yet initiated. GSA is currently processing a response to the report.

Recommendation: GSA should immediately establish and commit itself to a long-term program to complete the planning process and prepare the necessary procurement actions for the transition to a new end-to-end system to begin in 1992.
Status: Action not yet initiated. GSA is currently processing a response to the report.

Recommendation: GSA should publish the relevant documents identifying and analyzing the plausible alternatives as soon as available, in conjunction with the annual 5-year ADP/telecommunications plan already required by the Paperwork Reduction Act of 1980.
Status: Action not yet initiated. GSA is currently processing a response to the report.

Recommendation: To ensure that adequate technical support is available, GSA should strongly consider acquiring the assistance of a systems engineering support contractor.
Status: Action not yet initiated. GSA is currently processing a response to the report.

Recommendation: To ensure that adequate management support is available, the Administrator of General Services should create a long-range planning group reporting directly to the Commissioner for Information Resources Management, with authority and responsibility over all of the necessary activities and resources.
Status: Action not yet initiated. GSA is currently processing a response to the report.

Recommendation: Since the commitment of GSA to pursue alternative strategies for implementation by 1992 is critical, the Administrator for General Services should submit to the Senate Committee on Governmental Affairs and the House Committee on Government Operations by November 2, 1987, both the specific plans and schedules to accomplish the needed tasks and the organizational changes made to manage this effort.
Status: Action not yet initiated. GSA is currently processing a response to the report.

General Property and Records Management

Privacy Act: Federal Agencies' Implementation Can Be Improved

GGD-86-107, 08/22/86

Background

In response to a congressional request, GAO examined federal agencies' implementation of the Privacy Act of 1974, which protects personal privacy.

GAO specifically examined: (1) the roles of agency Privacy Act officers; and (2) agencies' adherence to the act's provisions and Office of Management and Budget (OMB) guidelines.

Findings

GAO found that: (1) approaches to implementing the act's regulations varied widely among the agencies; (2) agencies often failed to establish clear

lines of responsibility and accountability for the act's functions; (3) agency Privacy Act officers had limited responsibilities, training, and resources to ensure compliance with the act; and (4) agencies need to improve adherence to OMB guidelines relating to activities, such as computer matching programs, risk assessments, evaluations, and training.

Open Recommendations to Agencies

Recommendation: The Director, OMB, should actively oversee agencies' implementation of the Privacy Act by following up periodically to ensure agencies' adherence to OMB Circular A-130 and other OMB guidance.
Status: Recommendation valid/action not intended. OMB believes that Office of Information and Regulatory Affairs desk officers fulfill the type of oversight envisioned by the framers of the Privacy Act.

Recommendation: The Director, OMB, should direct agencies to: (1) review and update, or prepare, directives that clearly delegate responsibilities and establish accountability for all Privacy Act functions; (2) specifically assign to the Privacy Act officers coordinating responsibilities for all Privacy Act activities and ensure that the officers have the resources to fulfill these responsibilities; (3) systematically assess and provide for Privacy Act training to ensure that personnel are aware of the act's requirements and OMB guidance pertaining to such functions as conducting detailed risk assessments, automating systems of records, and conducting computer matching programs; and (4) assign responsibility for evaluating Privacy Act operations and monitoring implementation of any recommended improvements.
Status: Action in process. OMB has not completed action on all of the recommendations. It disagreed with the part of this recommendation to assign Privacy Act officers coordinating responsibilities and additional resources because it believes that agencies need latitude to allocate resources.

Recommendation: The Director, OMB, should review and clarify its: (1) OMB Circular A-130 guidance on automating records systems by providing more specific criteria on when agencies are to prepare a new system report and notice, to ensure greater consistency within and among agencies in recognizing the need to provide advance public notice and reports to OMB and Congress; (2) computer matching guidelines by stating that agencies are to annually report to OMB all participation in matching programs initiated in prior years but conducted on a recurring basis, to contribute to more complete data in the OMB annual report to Congress; (3) computer matching guidelines by providing for public notice of computer matching programs conducted by organizations not covered by the act when Privacy Act systems of records are disclosed by federal agencies; and (4) computer matching guidelines by instructing agencies to notify OMB when they believe they are exempt from OMB guidelines.
Status: Action in process. OMB agreed with this recommendation and stated that it is working on action to implement it.

General Property and Records Management

Chet Holifield Federal Building: GSA's Decision To Renovate and Retain Appears Appropriate

GGD-87-47, 04/20/87

Background

In response to a congressional request, GAO studied the economic advisability of the General Services Administration's (GSA) proposal to renovate and retain the Chet Holifield Federal Building in Laguna Niguel, California.

Findings

GAO found that the GSA decision to renovate and retain the Holifield Building rather than sell it was an appropriate decision because: (1) the estimated cost to repair the building was $42.1 million, where the cost to sell the building and relocate the tenants into leased space would be $100.4 million; and (2) officials of the 11 tenant agencies stated that the building was suitable for their use. GAO noted that: (1) the building has an estimated 17 acres of excess parking, valued at $6.7 million; and (2) GSA was unable to determine the number of parking spaces necessary for the building's tenants.

Open Recommendations to Agencies

Recommendation: The Administrator of General Services should determine the actual amount of parking that will be needed at the Holifield Building and initiate action to dispose of any excess parking capacity.
Status: Action in process. Estimated completion date: 03/88. GSA deferred action on this recommendation until: (1) INS moves its regional office into the building; and (2) a county road is extended near the building. GSA anticipates that this will be done in March 1988.

Legislative Functions

Insurance Reserves: Strategies for Regulating the Federal Employees Health Benefits Program

HRD-87-10, 03/06/87

Background

In response to a congressional request, GAO provided information on: (1) Federal Employees Health Benefits Program (FEHBP) reserves over a 7-year period from 1979 to 1985, including a comparison of the reserve balances with targeted levels; and (2) the different strategies for regulating reserves and the advantages and disadvantages of each.

Findings

GAO found that: (1) FEHBP reserves have fluctuated widely from their targets, needing frequent and often substantial adjustment to keep them at, or near, the preferred levels; (2) between 1979 and 1985, the majority of the plans GAO reviewed held reserves that were more than 100 percent away from target; (3) the Office of Personnel Management (OPM) and the FEHBP health plans have three strategies to regulate reserves, including adjusting future premiums, modifying future benefits, and giving refunds; and (4) the best strategy is the adjustment of future premiums because it is administratively easier, less costly, and provides the fairest settlement, since it divides the reserve shortage or surplus by the amount contributed. GAO believes that: (1) OPM and the plans will have difficulty in accurately setting premiums to avoid the reserve fluctuations; and (2) modifying future benefits and giving refunds will cause cost-shifting between the government and enrollees.

Open Recommendations to Agencies

Recommendation: Unless Congress amends the Federal Employees Health Benefits Act of 1959 to provide program-wide adjustments in the government's contribution, the Director, OPM, should use future premium adjustments to regulate FEHBP reserves and avoid using refunds and benefit modifications as reserve adjustment strategies.
Status: Recommendation valid/action not intended. OPM refused to adopt this recommendation.

Other General Government

Federal Financial Institutions Examination Council Has Made Limited Progress Toward Accomplishing Its Mission

GGD-84-4, 02/03/84

Background

GAO assessed the progress of the Federal Financial Institutions Examination Council in accomplishing its congressional mandates. The Council was established to: (1) prescribe uniform federal examination principles, standards, and report forms for examinations of financial institutions; (2) recommend uniformity in other supervisory matters; (3) develop uniform financial institution reporting systems; and (4) develop a comprehensive examiner education program. The Council is composed of the Comptroller of the Currency, the Chairman of the Board of the Federal Deposit Insurance Corporation, a member of the Board of Governors of the Federal Reserve System, the Chairman of the Federal Home Loan Bank Board, and the Chairman of the Board of the National Credit Union Administration.

Findings

GAO found that the Council has made little progress in establishing examination uniformity. A study to identify major examination differences among the participating agencies was terminated without accomplishing its objectives. GAO believes that actions taken by the Council did not eliminate major differences that the study did identify and that many actions taken were unrelated to the affected agencies' basic safety and soundness examinations. GAO found that the most significant action taken toward uniformity in other supervisory matters was the establishment of a uniform policy for assessment of civil monetary penalties. The Council approved 13 actions in the area of financial institution reporting systems, including a uniform bank report of condition and income. The Council has not provided basic training for examination efforts because it has not established uniform principles and standards for examinations. Training efforts have been directed towards the development of peripheral courses. GAO believes that the need for uniformity in federal examinations of financial institutions has not lessened since the Council's inception and discussed the need to reevaluate the current regulatory structure.

Open Recommendations to Congress

Recommendation: There are a number of proposals being considered to reorganize the federal structure for regulating financial institutions. In making its judgments on these proposals, Congress should consider that a coordinating mechanism such as the Council has not been effective in dealing with major policy differences in the examination process.

Status: Action not yet initiated.

Other General Government

Statutory Requirements for Examining International Banking Institutions Need Attention

GGD-84-39, 07/11/84

Background

GAO reviewed the Federal Reserve's supervision of Edge Act banking institutions and the Office of the Comptroller of the Currency's (OCC) supervision of federally licensed branches and agencies of foreign banks.

Findings

GAO found that the statutory requirements to examine annually Edge Act corporations and federally licensed

branches and agencies of foreign banks are less flexible than the frequency standards set by the Federal Reserve and OCC for other institutions and limit the optimal use of scarce resources. In addition, GAO found that the Federal Reserve does not comply with its legal requirement to bill Edge Act corporations for examination costs.

Open Recommendations to Congress

Recommendation: Congress should repeal the legal requirements to conduct annual examinations of Edge Act corporations and federally licensed branches and agencies of foreign banks, thereby allowing the Federal Reserve and OCC to schedule these examinations on the basis of the soundness of the institution. Specifically, with regard to Edge Act corporations, Congress should further amend section 25(a), paragraph 19, of the Federal Reserve Act, as amended (12 U.S.C. 625), to eliminate the annual examination requirement and require examinations at such times as may be deemed necessary by the Federal Reserve System. With regard to federally licensed branches and agencies of foreign banks, Congress should amend section 4(b) of the International Banking Act of 1978 (12 U.S.C. 3102) to eliminate the annual examination requirement and thereby allow OCC more flexibility in scheduling examinations.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Chairman of the Board of Governors of the Federal Reserve System should comply with the statutory requirements to bill Edge Act corporations for examination costs, including the compensation of examiners, as provided in section 25(a) of the Federal Reserve Act.
Status: Action in process. The Federal Reserve voted to send out revised policy for public comment in mid-May as part of a comprehensive package of new fee proposals. Comments were received, but the Board has taken no action as yet.

Other General Government

Bank Secrecy Act: Financial Institution Regulators' Compliance Examinations

GGD-86-94, 08/01/86

Background

In response to a congressional request, GAO evaluated regulatory agencies' efforts to ensure that financial institutions comply with the Bank Secrecy Act.

Findings

GAO found that regulatory agencies placed a low priority on the act's requirement for examinations of financial institutions, which diminished their ability to ensure compliance with the act. GAO believes that these agencies could improve their ability to ensure compliance by: (1) better targeting of institutions to be examined; (2) improving model examination procedures for depository institutions; (3) consistently applying the model depository institution examination procedures; (4) improving Securities and Exchange Commission (SEC) examination procedures; and (5) preparing sufficient documentation to support examination performance. GAO also found that the Internal Revenue Service (IRS), which had good examination procedures and documentation, had difficulty identifying institutions for its examinations.

Open Recommendations to Agencies

Recommendation: The Secretary of the Treasury should initiate a program to compile and analyze targeting information, including cash flow data on an exception basis from the Federal Reserve System (FRS), and share the results with the regulatory agencies.
Status: Action in process. Treasury has circulated the suggested guidelines to other compliance agencies.

Recommendation: The Secretary of the Treasury should develop, with the regulatory agencies, an improved set of examination procedures, including tailored examinations for broker-dealers and credit unions, verification that reports are being filed, and review of cash transactions at all currency-handling facilities examined.
Status: Action in process. The examination guidelines have been drafted.

Recommendation: The Chairman of the Board of Governors, FRS, the Chairman, Federal Deposit Insurance Corporation (FDIC), the Comptroller of the Currency, the Chairman, Federal Home Loan Bank Board (FHLBB), the Chairman of the Board, National Credit Union Administration (NCUA), the Chairman, SEC, and the Commissioner of Internal Revenue should institute policies to comprehensively examine constituent institutions on a random basis.
Addressee: Federal Deposit Insurance Corporation
Status: Action in process. FDIC has adopted new examination procedures and is considering the use of random sampling.

Addressee: Department of the Treasury: Office of the Comptroller of the Currency
Status: Action in process. The Office of the Comptroller of the Currency (OCC) agreed with this recommendation and procedures are being revised.
Addressee: Federal Home Loan Bank Board
Status: Action in process. FHLBB agreed with this recommendation and procedures are being revised.
Addressee: National Credit Union Administration
Status: Action in process. NCUA is rewriting its policies and procedures.

Recommendation: The Chairman of the Board of Governors, FRS, the Chairman, FDIC, the Comptroller of the Currency, the Chairman, FHLBB, the Chairman of the Board, NCUA, the Chairman, SEC, and the Commissioner of Internal Revenue should direct field examiners to fully document the examinations performed, using GAO audit standards as a guide.
Addressee: Federal Deposit Insurance Corporation
Status: Action in process. FDIC plans to direct examiners to prepare and retain better work papers.
Addressee: Federal Home Loan Bank Board
Status: Action in process. FHLBB plans to send instructions to examiners.
Addressee: National Credit Union Administration
Status: Action in process. NCUA is rewriting its examination procedures.

Other General Government

District of Columbia: P.L. 94-142 Compliance and Management of Youth Services Administration

GGD-86-131, 09/12/86

Background

In response to a congressional request, GAO monitored the District of Columbia's (D.C.) efforts to comply with the Education for All Handicapped Children Act's requirements relating to juvenile delinquents, specifically aspects of the D.C. Youth Services Administration's (YSA) payroll, contracting, and personnel functions.

Findings

GAO found that: (1) the D.C. Department of Human Services' (DHS) lack of management oversight and control of YSA resulted in considerable overtime expenditures, noncompliance with contracting procedures, and inaccurate position descriptions; (2) 22 percent of the YSA personal services budget for fiscal years (FY) 1983 through 1985 was charged to overtime expenses, which were caused by noncompliance with internal controls, insufficient staffing, and poor scheduling; (3) DHS and YSA failed to adhere to key internal controls designed to ensure proper contract review, monitoring, and payment; and (4) many YSA employees did not have position descriptions that accurately described their current duties and responsibilities, due to noncompliance with personnel regulations and procedures.

Open Recommendations to Agencies

Recommendation: The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Director, DHS, and the Commissioner on Social Services to ensure that DHS, Social Service, and YSA managers follow D.C. and DHS contracting and payroll policies and procedures.
Status: Action in process. DHS conducted training sessions for contract administrators. DHS is developing procedures and plans to obtain bids in fiscal year (FY) 1988 to develop software for such issues as personnel and leave analysis, food procurement, and the like.

Recommendation: The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Deputy Mayor for Operations to exercise sufficient oversight regarding the activities of the Director, DHS, and the Commissioner on Social Services, by ensuring that an independent audit is conducted next year of YSA payroll and contracting functions.

Status: Action in process. DHS Internal Audit reviewed a sample of contracts awarded in FY 1984, 1985, and 1986, and recommended disallowances equal to 8 percent of the contracts sampled. An independent firm will examine 10 percent of the remaining contracts for the years involved to validate the DHS audit findings. Provisions are being made to engage a private firm to do combined program and financial audits.

Recommendation: The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Deputy Mayor for Operations to exercise sufficient oversight regarding the activities of the Director, DHS, and the Commissioner on Social Services, by ensuring that an independent audit of YSA FY 1984 and 1985 contracts is conducted for the purpose of identifying disallowable and unsupportable costs.

Status: Action in process. DHS Internal Audit reviewed a sample of contracts awarded in FY 1984, 1985, and 1986, and recommended disallowances equal to 8 percent of the contracts sampled. An independent firm will examine 10 percent of the remaining contracts for the years involved to validate the DHS audit findings. Provisions are being made to engage a private firm to do combined program and financial audits.

Recommendation: The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Director, D.C. Office of Personnel, to immediately begin a classification survey of all YSA positions and implement a schedule to review each position at least once in each 3-year period.

Status: Action in process. A survey and update of YSA staff classification is in process. Two classification specialists have been assigned to YSA to review and develop or update position descriptions, as warranted.

Other General Government

Affirmative Action: Social Security Can Do More To Improve Blacks' Representation in Its Work Force

HRD-87-2, 01/02/87

Background

In response to a congressional request, GAO discussed: (1) the effect of the affirmative action plan at Social Security Administration (SSA) headquarters on the representation of blacks in some job series; (2) how SSA developed and implemented affirmative action plans; and (3) whether SSA planning and reporting complied with Equal Employment Opportunity Commission (EEOC) requirements.

Findings

GAO found that: (1) although the overall ratio of blacks employed at SSA headquarters increased from 1982 to 1985, black men were generally underrepresented in the organizational components and job series reviewed; (2) SSA did not fully comply with affirmative action requirements in compiling and analyzing race and sex profile data for each stage of the selection process to fill vacant positions; (3) SSA did not fully implement an agency-wide affirmative-action plan because lower-level plans did not address the same mainstream job series; (4) SSA has not issued a report on its planned study to identify artificial barriers to the advancement of underrepresented groups in the work force; and (5) components' annual accomplishment reports did not include information on minority skills development activities.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to integrate the SSA-wide affirmative action plan into components' plans, especially in regard to identifying mainstream job series and establishing hiring, promotion, and reassignment goals.

Status: Action not yet initiated. SSA disagreed with this recommendation and stated that components' affirmative

action plans were already integrated into the SSA-wide plan.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to require components to report affirmative action accomplishments with sufficient information to determine whether affirmative actions goals and objectives were achieved.
Status: Action not yet initiated. SSA disagreed with this recommendation and stated that enough information was provided by its components in the annual accomplishment/update reports.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to bring the affirmative action program into compliance with EEOC directives by requiring that SSA compile race and sex profile data for all stages of the internal selection process, including data on all qualified applicants, best-qualified candidates, and selectees for job vacancies.
Status: Action in process. Estimated completion date: 03/88. Beginning with the competitive vacancy announcements, with a closing date of January 23, 1987, SSA stated that it started to collect and analyze complete applicant flow data, with some of the data provided from manual records. SSA will automate the data at each stage of the competitive process so it can tabulate and analyze the data, as required.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to request SSA organizational components to include data in the annual accomplishment reports on skills development activities, such as individual development plans, bridge position reassignments, and training opportunities for targeted underrepresented minority groups.
Status: Action not yet initiated. SSA concurred with this recommendation, but stated that implementation was impractical at this time because the extension for the multiyear plan ended September 30, 1987. SSA stated that the skills assessment and development activities section of the fiscal year 1988 affirmative action plan will be prepared in accordance with EEOC and Department of Health and Human Service's (HHS) guidelines.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to bring the affirmative action program into compliance with EEOC directives by requiring that SSA identify and act to reduce or eliminate artificial barriers that adversely affect the advancement of underrepresented minority groups.
Status: Action in process. Estimated completion date: 03/88. SSA stated that seven headquarters barrier analysis studies were completed. GAO will obtain copies of the four additional studies and analyze them to determine whether they meet EEOC requirements and whether any actions to eliminate the barriers have been initiated by SSA. GAO will also determine whether any other studies are planned or underway.

Other General Government

Decennial Census: Pretests Could Be Used More Effectively in Census Planning

GGD-87-24BR, 01/08/87

Background

In response to a congressional request, GAO assisted Congress in its oversight of the Census Bureau's 1990 decennial census planning efforts by monitoring the Bureau's 1986 pretest in Los Angeles, California, and Meridian, Mississippi.

Findings

GAO found that: (1) the Bureau completed the pretest on schedule; (2) centralized recruitment and daily management reports ensured sufficient staffing and timely completion of the follow-up operations; (3) unclear contract specifications for printing vendors contributed to questionnaire delivery mix-ups; (4) a lack of coordination with the U.S. Postal Service resulted in presorting problems in Los Angeles; (5) limited testing of software programs for some activities resulted in technical difficulties, requiring revised keying procedures and reliance on manual reports; (6) no evaluations of the 1986 office configurations or data capture technologies were available for the Bureau's decisions to establish 10 to 14

processing offices and to use a modified sensing device for input to computer technology; (7) although the Bureau budgeted $18.1 million for the 1986 pretest, it did not collect complete cost and productivity data from the test to project 1990 costs; and (8) the Bureau charged some direct costs from the test to 1990 projects or indirect cost accounts, resulting in underreporting of 1986 costs. GAO believes that: (1) the Bureau could do more to improve available information for the 1990 census; and (2) the Bureau needs to identify and resolve some of the seemingly minor problems experienced during the pretest, which could present major problems on a nationwide scale in 1990.

Open Recommendations to Agencies

Recommendation: The Secretary of Commerce should require the Director, Bureau of the Census, to improve planning and decisionmaking for the 1990 census and future decennials by: (1) obtaining cost and productivity data from the Bureau's tests to accurately and completely measure test results; (2) integrating planning and test results to ensure the completion of test evaluations before scheduled decision dates; and (3) beginning earlier planning and testing for future decennials to maximize the benefits of exploring new technology.
Status: Action in process. Estimated completion date: 12/88. The Bureau plans: (1) to collect cost and productivity data in the two tests currently in process, the 1987 test census and the 1988 dress rehersal; and (2) to finalize major methodological decisions by the end of 1987. The Bureau is also currently working to define the components of the 1990 experimental studies program, as the start of planning for the 2000 census.

Other General Government

Federal Evaluation: Fewer Units, Reduced Resources, Different Studies From 1980

PEMD-87-9, 01/23/87

Background

In response to a congressional request, GAO provided information on the recent changes in the status of program evaluation activities in the non-defense executive departments and agencies, specifically: (1) the current level of program evaluation activity in the executive branch; and (2) changes that occurred between 1980 and 1984.

Findings

GAO found that, between 1980 and 1984: (1) the total number of units in non-defense departments and agencies engaging in program evaluation activities declined by 26 percent; (2) fiscal resources decreased by 37 percent and personnel decreased by 22 percent; (3) fewer evaluation units were in operation and both budgetary and human resources decreased, especially for those departments with block grant programs; (4) only about 20 percent of the units with continued evaluation activity reported any legislative set-aside funding for evaluation; (5) internal budget allocations did not compensate for set-aside reduction, and tended to decrease more rapidly than the set-asides themselves; and (6) despite the decreases in units, funding levels, and professional staff, evaluation studies decreased by only 3 percent. GAO also found that: (1) evaluation units increased their internal staff work on less expensive studies and non-technical reports and reduced the number of costlier, more time-consuming studies by external evaluators; (2) program managers and top agency officials were the primary recipients of evaluation studies; and (3) findings from the studies were not easily available to Congress and the public.

Open Recommendations to Congress

Recommendation: Congress should determine whether the agencies under its jurisdiction are developing and reporting the information needed by committees for their oversight responsibilities. This would include periodic reviews to ensure that agencies are fulfilling legislated mandates for the provision of evaluative information. To ensure the availability of information required for oversight purposes, it might be necessary to specify, in law or accompanying committee reports, additional set-asides, mandated studies, or improved dissemination of evaluation findings.
Status: Action not yet initiated.

Other General Government

Presidential Inaugurations: Legislation Is Needed To Clarify Agencies' Support Roles

GGD-87-10, 02/27/87

Background

In response to a congressional request, GAO examined: (1) the adequacy of federal agencies' statutory authority to use their resources to support presidential inaugural activities; and (2) whether there is a need for legislation to clarify the policy on the use of federal resources to support future inaugurations.

Findings

GAO found that: (1) Congress should enact legislation to clarify federal agencies' roles in inaugural planning and support activities, the nature of the inaugural event, and the Presidential Inaugural Committee's statutory basis for future inaugurations; (2) both the Department of Defense and the General Services Administration, which have broad roles in the inaugural activities, lack clear statutory authority to provide certain types of support; and (3) under existing law, agencies may not use federal funds to support private concerns, and federal personnel may not perform services for private concerns even if they compensate or reimburse the government in kind.

Open Recommendations to Congress

Recommendation: Congress should enact legislation to clearly establish: (1) the extent to which inaugural functions and activities are to be publicly financed either through specific appropriations or through assistance provided by departments and agencies; and (2) that the disbursement of public funds or the furnishing of assistance over and above the extent authorized shall constitute a violation of the Antideficiency Act in the amount of such overdisbursement or of the full cost of assistance provided, unless prompt reimbursement is made by the political party of the newly elected President or from other private funds.

Status: Action in process.

Other General Government

Consumer Product Safety Commission: Administrative Structure Could Benefit From Change

HRD-87-47, 04/09/87

Background

In response to a congressional request, GAO reviewed the Consumer Product Safety Commission's (CPSC) administrative structure to determine whether: (1) a single administrator, rather than a commission, could more effectively carry out CPSC functions; and (2) CPSC should retain its separate status or be located within an existing executive department.

Findings

GAO found that: (1) commissioners' long-term appointments have not achieved stability in leadership positions; (2) independent status has not insulated CPSC from economic or political pressures; (3) changing the commission structure to an administration would save about $1 million a year; and (4) major studies indicated significant problems with the commission administrative structure. Although GAO found different opinions on the appropriate organizational status, it found no criteria for determining whether CPSC should remain as a

separate agency or become part of an executive department.

Open Recommendations to Congress

Recommendation: Congress may wish to consider amending section 4 of the Consumer Product Safety Act to provide for a single administrator appointed by the President with the advice and consent of the Senate.
Status: Action in process.

Other General Government

Equal Employment Opportunity: Hispanics' Advancement Opportunities in SSA Region IX

HRD-87-82, 07/30/87

Background

In response to congressional concern about the Social Security Administration's (SSA) fair consideration of Hispanics for promotions in SSA Region IX offices, GAO investigated SSA employment policies concerning Hispanics.

Findings

GAO found that: (1) at least 30 percent of the contact and claims representatives in six Region IX service area offices were bilingual in Spanish and English and able to assist Spanish-speaking claimants; (2) for the affirmative action plans covering fiscal years (FY) 1984 through 1986, Hispanics in Area 6 were fully represented in social administrative positions at grades 11 and 12 and grade band 13-14, but in Area 7, Hispanic females were fully represented, while Hispanic males were underrepresented in grades 11 and 12; (3) as of June 30, 1986, Hispanics were fully represented in Area 6 in grades 11 through 14, while in Area 7, both Hispanic males and females were underrepresented in grade 11 and Hispanic males in grade 12; and (4) during FY 1984 through 1986, SSA did not promote any Hispanic males in Area 7 for either grade 11 or 12 vacancies or any Hispanic females for grade 11 vacancies, but did promote two Hispanic females for grade 12 vacancies. GAO also found that: (1) SSA properly used noncompetitive methods to reassign an employee to a branch manager position in Area 6; (2) 11.2 percent of the participants in a development program for employees in grades 11 through 14 were Hispanic; and (3) SSA delayed designation of a Hispanic Employment Program manager to allow regional management time to consider a transfer of the position's functions to another office and to initiate a new process to fill the position.

Open Recommendations to Agencies

Recommendation: The Commissioner of Social Security, Region IX, should conduct an analysis of potential artificial barriers that may hinder the advancement of Hispanics to Area 7 positions where they are underrepresented.
Status: Action in process. SSA indicated that it would begin to conduct an analysis of potential artificial barriers and would complete this task by December 31, 1987.

Tax Administration

IRS and SSA Can Improve the Verification and Recording of Data Provided by Self-Employed Taxpayers

GGD-85-21, 05/28/85

Background

GAO reviewed processing of self-employment earnings information to determine whether the Internal Revenue Service (IRS) and the Social Security Administration (SSA) are properly processing such information and crediting it to taxpayers' accounts.

Findings

Workers are required to report self-employment earnings on a form known as schedule SE. IRS processes the schedule, collects any social security taxes that are due, and reports the information to SSA, which credits earnings information to individuals' social security accounts. GAO found that, while the system is functioning well, IRS and SSA could: (1) increase the amount of self-employment earnings that get properly credited; and (2) more accurately account for due taxes. GAO also found that: (1) IRS does not always detect errors in computing self-employment earnings on SE schedules; (2) IRS does not verify wage amounts reported by self-employed persons who report other earned income, which causes underpayments of social security taxes; (3) IRS could help SSA correctly credit earnings to individuals' social security accounts by ensuring that, whenever it corrects a social security number (SSN) on a tax return, the corrected number is provided to SSA; and (4) SSA and IRS need to establish better control over SE schedules to help ensure that all self-employed persons are receiving credit for self-employment earnings.

Open Recommendations to Agencies

Recommendation: The Commissioner of Internal Revenue should identify and provide SSA, starting with the 1980 processing year, with self-employment records showing different SSN for the same person or self-employment earnings that were not previously provided.
Status: Action in process. A request was made for an abstract of the Returns Transaction File for tax years 1979 through 1982 for use by SSA. IRS stated that, due to the heavy work load in implementing the Tax Reform Act, IRS Computer Services will not have the necessary resources to provide the abstract until January 1988.

Recommendation: The Commissioner of Social Security should use the self-employed persons' records with different SSN obtained from IRS to correct earnings accounts credited erroneously and those not previously credited.
Status: Action in process. SSA stated that it provided IRS with a format in March 1987 so identified corrections can be processed. SSA is awaiting data from IRS to complete any action of its own.

Recommendation: The Commissioner of Social Security should credit the social security accounts of those self-employed individuals whose records were never processed and ensure that the trust funds are provided the correct tax amount from their earnings.
Status: Action in process. SSA stated that it is awaiting final action by IRS before taking any action.

Recommendation: The Commissioner of Social Security should periodically conduct tests of the accuracy of self-employment earnings and identification data and work with IRS to resolve any problems that are identified.
Status: Action in process. IRS and SSA agreed that some type of sampling could satisfy this recommendation. SSA stated that it was developing specifications for a sample and expects to provide the specifications to IRS by the end of 1987.

Tax Administration

IRS' Examination Selection System for Exempt Organizations' Unrelated Business Income

GGD-85-64, 07/08/85

Background

GAO analyzed the Internal Revenue Service's (IRS) examination selection system for tax-exempt organizations earning unrelated business income (UBI).

Findings

GAO found that, although IRS assessed over $41 million in additional tax and penalties upon UBI examinations in fiscal years 1981 through 1983, a substantial number of UBI examinations resulted in little or no additional tax revenue. GAO also found that IRS does not have sufficient information on UBI tax noncompliance to understand the nature and magnitude of UBI noncompliance and develop profiles of highly noncompliant tax-exempt organizations engaging in UBI activity. Without such information, the current IRS selection system cannot focus on the most noncompliant tax-exempt UBI organizations, which regularly fail to properly report UBI earnings or pay the UBI tax due. Because IRS data shows increasing UBI activity, high estimates of tax loss due to UBI nonreporting, and low yield from most current UBI examinations, IRS may want to focus on the UBI organizations with the highest potential for noncompliance. More targeting of highly noncompliant UBI organizations could aid in generating more revenue and increased compliance and result in more effective use of resources.

Open Recommendations to Agencies

Recommendation: The Assistant Commissioner of Internal Revenue for Employee Plans and Exempt Organizations should further analyze existing data on UBI tax examinations to gain increased insight into the nature and magnitude of UBI noncompliance.
Status: Action in process. IRS is conducting a Taxpayer Compliance Measurement Program (TCMP), which would address this issue. The program is scheduled for completion in fiscal year 1992.

Tax Administration

Computer Security: Contingency Plans and Risk Analyses Needed for IRS Computer Centers

IMTEC-86-10, 03/27/86

Background

GAO reviewed the Internal Revenue Service's (IRS): (1) plans for ensuring the continuity of its computer operations if any of its 12 computer centers were destroyed or significantly disabled for an extended period; and (2) efforts to implement a risk-management program to assess and reduce potential threats to computer operations.

Findings

GAO conducted its review at IRS headquarters, the IRS National Computer Center (NCC), and 4 of the 10 service centers that process tax returns and related documents. GAO found that IRS draft automatic data processing (ADP) plans are incomplete and its emergency measures are inadequate because: (1) NCC has no designated backup processing site; (2) computer capacity problems may make it impossible for one service center to back up another, as currently proposed; (3) IRS has not identified the most critical work-load functions; (4) IRS does not always maintain backup tape files containing data and programs necessary to continue operations; and (5) testing to ensure the workability of ADP contingency plans has been limited.

GAO also found that: (1) IRS has not periodically assessed potential risks to computer operations at its centers, although it has recently started a risk-analysis program that it hopes to complete in 1987; (2) several IRS centers had physical security problems, making them susceptible to fire and smoke damage or to unauthorized entry after working hours; and (3) contingency plans at one center lacked adequate detail for emergency procedures.

Open Recommendations to Agencies

Recommendation: The Commissioner of Internal Revenue should direct the Assistant Commissioner, Support and Services (for the Detroit Data Center), and the Assistant Commissioner, Returns and Information Processing (for all other computer centers), to expedite efforts to develop, certify, and periodically test ADP contingency plans for all IRS computer centers according to the criteria and procedures set forth in the IRS Internal Revenue Manual and Office of Management and Budget (OMB) Circular A-130.
Status: Action in process. IRS agreed with this recommendation. The IRS Automation Policy Board (APB) directed the Assistant Commissioner for Computer Services to proceed with developing contingency plans. Alternative approaches are being developed and will be presented to APB.

Recommendation: The Commissioner of Internal Revenue should direct the Assistant Commissioner, Support and Services (for the Detroit Data Center), and the Assistant Commissioner, Returns and Information Processing (for all other computer centers), to expedite efforts to perform periodic risk analyses to: (1) aid in developing and maintaining effective ADP contingency plans; and (2) help assess the internal controls environment, as required by the Federal Managers' Financial Integrity Act of 1982 (FIA) and the OMB circular.
Status: Action in process. IRS has completed risk analyses at nine computer centers. It expects to complete risk analyses at the remaining three centers over the next several months.

Recommendation: The Commissioner of Internal Revenue should direct the Assistant Commissioner, Support and Services (for the Detroit Data Center), and the Assistant Commissioner, Returns and Information Processing (for all other computer centers), to expedite efforts to continue to report the lack of contingency plans and periodic risk analyses as material control weaknesses under FIA until contingency plans have been developed, certified, and tested, and risk analyses, as well as needed corrective action identified by such analyses, have been completed for all computer centers.
Status: Action in process. IRS reported that these areas are material control weaknesses in its 1986 FIA report. IRS stated that it would continue to report them as weaknesses under FIA until they are properly resolved.

Tax Administration

Tax Administration: Compliance and Other Issues Associated With Occupational Excise Taxes

GGD-86-49, 06/05/86

Background

GAO reviewed the effectiveness of the Bureau of Alcohol, Tobacco and Firearms (BATF) and the Internal Revenue Service (IRS) in imposing occupational excise taxes on businesses and individuals in the alcohol, wagering, and firearms industries.

Findings

GAO found that: (1) BATF initiated a special tax collection program to increase compliance and tax collections from retail alcohol establishments; (2) BATF drafted a bill that would restrict wholesalers' sales of alcohol to those retailers that have paid their occupational taxes; (3) IRS could use information from states that license wagering establishments to assess compliance by businesses with the occupational tax and to determine compliance with filing requirements; (4) an information reporting requirement exists that would identify individuals liable for the occupational tax; and (5) a reevaluation of the provision allowing tax-free weapon transfers between occupational taxpayers may be needed.

Open Recommendations to Congress

Recommendation: An incentive exists for individuals to obtain National Firearms Act (NFA) dealer status to avoid the per-weapon transfer tax. Whether the incentive is reduced or eliminated is a policy issue Congress may wish to address.
Status: Action not yet initiated.

Recommendation: Congress should consider any effect repeal of the taxes might have on BATF criminal enforcement efforts.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Commissioner of Internal Revenue should obtain gambling license data from the states where gambling activities subject to the wagering taxes are authorized, and match it with the yearly occupational tax payment records and the tax on gross-wagers payment records to identify noncompliant taxpayers for follow-up potential.
Status: Recommendation valid/action not intended. IRS believes that this proposal would not have a significant enough impact on compliance to justify implemention. IRS believes resources should be spent in other areas of low compliance and, therefore, does not intend to implement this recommendation. However, GAO continues to believe that it has merit.

Recommendation: The Commissioner of Internal Revenue should compare tax on gross-wagers payment records with the yearly occupational tax payment records for businesses in states which do not license establishments subject to the taxes to identify potential noncompliant taxpayers for follow-up.
Status: Recommendation valid/action not intended. IRS believes that this recommendation would have little, if any, benefit to the criminal investigation function or other areas of IRS. IRS contends that most of the wagering investigations result from its case development efforts and sophisticated and large-scale operations. Therefore, IRS does not intend to take any action on this recommendation. GAO still believes that it has merit.

Recommendation: The Commissioner of Internal Revenue should match the names of employees and agents listed on the employers' occupational tax returns with occupational tax payment records to identify for follow-up potential noncompliant taxpayers, and should enforce the requirement that employers list employees and agents on their occupational tax returns.
Status: Recommendation valid/action not intended. IRS does not plan to take action on this recommendation. It stated that the taxpayers who are investigated by IRS for wagering violations overwhelmingly fail to file other returns. GAO continues to believe that IRS should address this noncompliance problem.

Recommendation: To reduce the costs of administering the tax on gross wagers, the Commissioner of Internal Revenue should revise the filing requirement for the tax on gross wagers so that monthly returns will not be required unless an established dollar threshold is met.
Status: Recommendation valid/action not intended. IRS does not intend to take any action on this recommendation because it believes that any resulting savings from its implementation would be negligible. It also contended that such a change would create taxpayer uncertainty, break established filing habits, and affect IRS ability to identify those trends, patterns, and nonfilers. GAO continues to believe its proposal has merit.

Tax Administration

Tax Administration: Information Returns Should Increase Proper Reporting of Farm Income

GGD-86-69, 07/22/86

Background

Pursuant to a congressional request, GAO studied the need to improve taxpayer compliance in reporting taxable commodity credit loan and crop insurance income, specifically ways in which the Internal Revenue Service (IRS) could better detect unreported income.

Findings

GAO found that, in 1982: (1) 7 percent of crop loan and insurance income recipients failed to file federal income

tax returns; (2) 77 percent of the taxpayers whose returns GAO reviewed failed to properly report their income; (3) computer matching of information returns with tax returns should help IRS to determine whether income was properly reported and the applicable taxes were assessed; and (4) IRS should improve its forms, filing instructions, and computer programs.

Open Recommendations to Agencies

Recommendation: The Commissioner of Internal Revenue should incorporate commodity credit loan and crop insurance income into the IRS document matching program.
Status: Action in process. IRS intends to analyze Taxpayer Compliance Measurement Program data to see if the data indicates noncompliance of this kind by farmers. If it does, a special exam tax project would be initiated to address this problem. Current plans are to run a pilot test during 1988 with intentions of going nationwide in 1989.

Tax Administration

Tax Administration: Administrative Changes Could Lead to Earlier Resolution of Tax Disputes

GGD-86-75, 07/30/86

Background

GAO examined the U.S. Tax Court's case load to determine whether the number of cases filed with the court could be reduced by settling more cases through the Internal Revenue Service's (IRS) appeals process with less cost to the taxpayers and the government.

Findings

GAO found that: (1) many taxpayers who initially bypassed the IRS internal appeals process and filed with the court eventually settled their cases out of court with the appeals division; (2) cases ultimately settled by IRS cost the government approximately $1.2 million in court processing costs and taxpayers $268,200 in filing fees; (3) some of the processing and filing costs could have been eliminated had the cases been filed with IRS; and (4) more than one-third of the taxpayers did not fully understand the dispute resolution process before filing with the tax court. GAO believes IRS could do more to involve the appeals division in resolving cases by better informing taxpayers about the process and encouraging them to go to the appeals division before filing with the court.

Open Recommendations to Agencies

Recommendation: The Commissioner of Internal Revenue should revise the language of the 30-day letter, various IRS publications, and the information on the appeal procedures given to taxpayers by IRS auditors and revenue agents. These changes should: (1) emphasize the advantages of going to the appeals division before filing with the tax court; and (2) point out that, even if taxpayers bypass the appeals division, the cases will still be assigned to it for attempted settlement.
Status: Action in process. Estimated completion date: 03/88. IRS revised Publication No. 556 to include language which better explains the appeals system to the taxpayer in a more detailed manner. Revisions to Publication No. 5, explaining the appeals process in greater detail, are being drafted and will be placed into clearance when completed. IRS does not plan to create new forms, but it does plan to place added emphasis on quality initiatives.

Tax Administration

Tax Administration: Tip Income Reporting Can Be Increased

GGD-86-119, 09/30/86

Background

In response to a congressional request, GAO reviewed the Internal Revenue Service's (IRS) efforts to improve tip income reporting and the impact of the Tax Equity and Fiscal Responsibility Act's (TEFRA) tip income reporting requirements on both the food and beverage industry and tip income reporting.

Findings

GAO found that: (1) of the four IRS regions it visited, two were more active and successful in pursuing tip income nonreporting than the others; (2) tip income reporting has increased since the implementation of the new TEFRA reporting requirements; (3) food and beverage employers indicated that implementation of these new reporting requirements was not as costly as they originally projected; and (4) IRS districts used varying procedures in administering the TEFRA provision, which allowed employers a rate reduction from the reporting of 8 percent of gross receipts, which could result in inequitable treatment of taxpayers.

Open Recommendations to Agencies

Recommendation: To enhance IRS efforts to improve compliance with the requirements for reporting tip income, the Commissioner of Internal Revenue should formulate and implement an overall strategy for identifying and reducing tip income nonreporting. In formulating this strategy, the Commissioner should, in conjunction with providing TEFRA tip income information to the regional and district offices: (1) identify and evaluate, for IRS-wide applicability, those detection techniques and tools which have been proven effective in conducting tip income reporting projects and communicate this information to all IRS regions and districts; and (2) design and implement an overview and evaluation process to monitor the progress of tip enforcement activities, identify potential problem areas, and devise the actions needed to deal with them.

Status: Action in process. Estimated completion date: 03/88. IRS is currently conducting a study designed to provide information on compliance levels and the nature of noncompliance and identify the types of establishments and geographical areas that are most noncompliant. Results of the study will be analyzed and corrective actions will be taken when the study is complete in March 1988.

Tax Administration

Data Communications: Thorough Testing and Workload Analyses Needed for IRS Processors

IMTEC-87-3BR, 10/14/86

Background

In response to a congressional request, GAO: (1) investigated the performance of the Internal Revenue Service's (IRS) existing communications processors; and (2) evaluated the soundness of the planned replacement of those processors.

Findings

GAO found that: (1) existing communications processors have experienced reliability and capacity problems, but their performance had no significant adverse effect on the 1986 tax filing season; (2) a significant delay in the replacement processor installation schedule or an increase in work load will increase the chances that the existing

processors will experience reliability and capacity problems; (3) replacement processors are both reliable and capable of handling the current IRS work load, but they may not be able to meet long-term IRS needs; (4) the replacement communications software is not fully developed and original IRS projections of the future work load are outdated; and (5) the IRS plan to install the new system at its larger service centers during the 1987 tax filing season increases the risk of serious disruption of processing tax returns and refunds to taxpayers if problems occur with the new equipment or software. GAO believes that all of the hardware and software should be thoroughly tested prior to nationwide service center installation.

Open Recommendations to Agencies

Recommendation: In view of the House Committee on Ways and Means, Subcommittee on Oversight's long-standing interest in this area, and the importance of IRS computers to its operations and the impact that its planned installation of communications processors could have on the 1987 tax filing season and related processing, the Commissioner of Internal Revenue should report to the Subcommittee any significant deviations or delays in IRS installation testing plans that could alter the implementation of planned testing safeguards or reduce the chances of all processors being operational by December 1987. The report should also include actions that IRS plans to take to alleviate the situation.

Status: Action in process. The Associate Commissioner for Data Processing reported to the Subcommittee on recent developments affecting the installation schedule. IRS plans to continue briefing the Subcommittee, as necessary, until data processors are operational.

Recommendation: In view of the Subcommittee's long-standing interest in this area, and the importance of IRS computers to its operations and the impact that its planned installation of communications processors could have on the 1987 tax filing season and related processing, the Commissioner of Internal Revenue should update existing and future work load projections and monitor the performance of the communications processors and supporting mainframes to ensure that these computing resources can fulfill the IRS mission. Such updates and performance monitoring should be conducted regularly throughout the life of the systems.

Status: Action in process. Progress on this recommendation was delayed. The Office of Computer Services is currently piloting procedures with user functions to incorporate necessary work-load information into work requests received from user groups. Depending on the results of the pilot program, instructions may not be incorporated into the Internal Revenue Manual.

Tax Administration

Computer Capacity: IRS Must Better Estimate Its Computer Resource Needs

IMTEC-87-5BR, 11/03/86

Background

Pursuant to a congressional request, GAO: (1) determined the status and progress of the Internal Revenue Service's (IRS) Capacity Enhancement for the Processing System (CEPS) procurement; and (2) analyzed the need for and timing of CEPS, which IRS designed to upgrade or replace its large mainframe computers.

Findings

IRS believed that, with CEPS, its existing mainframe computers would have sufficient capacity to process taxpayer information and update computer files beyond 1989. IRS later decided to postpone upgrading and identified a series of initiatives which it felt would extend the existing mainframe computers' usefulness. GAO found that the Department of the Treasury endorsed the IRS decision to abandon CEPS in favor of: (1) adopting the initiatives; and (2) combining the procurement strategy of CEPS with the planned Tax System Redesign (TSR). GAO believes that: (1) the existing mainframes will have the capacity to handle IRS tax processing work loads through at least mid-1991, assuming that no large unexpected increase in work loads occurs and IRS effectively carries out its planned initiatives; (2) the IRS

initiative to constrain annual work-load growth to 8 or 10 percent could be difficult to achieve because IRS plans to install new equipment and introduce new on-line applications that could increase demand for tax account information; and (3) if IRS does not successfully implement its initiatives, it could experience capacity problems at its larger service centers as early as mid-1988. GAO also believes that: (1) without a work-load analysis and a continuing analysis of current system utilization, IRS will not have adequate assurance that its initiatives are working and could unexpectedly find itself short of computer capacity when it implements TSR; and (2) such an unexpected shortage could have a devastating impact on operations, as was evidenced in the 1985 tax filing year.

Open Recommendations to Agencies

Recommendation: Because of the importance of the mainframe computers to IRS ability to accomplish its mission and the need for continued improvement in its investment decisions on these critical computer resources, the Commissioner of Internal Revenue should develop and maintain comprehensive work-load data for current and planned automatic data processing (ADP) requirements.
Status: Action in process. IRS is implementing a capacity management methodology through its User Assistance and Computer Capacity Management Office, which is compiling a report on its progress. It issued a policy for developing better work-load data and increasing user awareness of capacity problems. The policy requires users requesting data services to provide work-load data quantifying the impact of requested changes.

Recommendation: Because of the importance of the mainframe computers to IRS ability to accomplish its mission and the need for continued improvement in its investment decisions on these critical computer resources, the Commissioner of Internal Revenue should monitor the performance of the installed mainframe computers to provide a baseline for determining whether the initiatives actually extend the useful life of the existing mainframes and for evaluating alternatives for meeting future ADP requirements.
Status: Action in process. IRS issued a report delineating the short-term actions needed to take the IRS system through 1989, and is working on the long-term initiatives. IRS established methodologies and programs to monitor and address work loads for some major tax processing systems. IRS is not monitoring or performing capacity planning for noncorporate tax processing systems.

Recommendation: Because of the importance of the mainframe computers to IRS ability to accomplish its mission and the need for continued improvement in its investment decisions on these critical computer resources, the Commissioner of Internal Revenue should analyze the impact of the various work loads on the utilization of the mainframe computers to effectively estimate and plan for future IRS ADP requirements.
Status: Action in process. IRS is implementing a capacity management methodology. With the assistance of an independent consultant, IRS is conducting a mainframe utilization capacity analysis of the large service center. IRS established its capacity management methodology and will continue to implement it with the help of these consultants.

Recommendation: Because of the importance of the mainframe computers to IRS ability to accomplish its mission and the need for continued improvement in its investment decisions on these critical computer resources, the Commissioner of Internal Revenue should report to the House Committee on Ways and Means, Oversight Subcommittee, any significant deviations or delays in the achievement of the initiatives or any other factors that may jeopardize IRS' ability to extend the useful life of its mainframes through 1991.
Status: Action in process. IRS intends to continue to report to the Subcommittee staff on its progress in extending the useful life of its current system until it implements the redesigned system.

Tax Administration

Tax Administration: IRS Can Improve Its Collection Procedures for Taxpayers Living Overseas

GGD-87-14, 12/12/86

Background

GAO: (1) evaluated Internal Revenue Service (IRS) collection policies and procedures as they relate to taxpayers using Army Post Office (APO) and Fleet Post Office (FPO) addresses; and (2) identified alternatives for needed improvements in the APO/FPO collection process.

Findings

GAO found that: (1) IRS domestic offices, which are responsible for handling APO/FPO collection cases, are not in the best position to deal effectively with overseas taxpayers; (2) telephone and personal contact, which are two essential tools for dealing with delinquent taxpayers, are generally not available to domestic offices to resolve overseas collection cases; and (3) the IRS Foreign Operation District, which has collection responsibility for overseas taxpayers other than those with APO/FPO addresses, has offices overseas and is experienced in dealing, through both telephone and personal contact, with U.S. taxpayers living in foreign countries.

Open Recommendations to Agencies

Recommendation: The Commissioner of Internal Revenue should assign responsibility for APO/FPO collection cases to the Assistant Commissioner (International).
Status: Action in process. IRS is considering the feasibility of implementing this recommendation.

Recommendation: The Commissioner of Internal Revenue should require APO/FPO taxpayers to file their tax returns at the Philadelphia Service Center.
Status: Action in process. By the end of 1987, the Office of the Assistant Commissioner (International) will be forwarding to the Commissioner its recommendations as to what should be done in response to this recommendation.

Recommendation: The Commissioner of Internal Revenue should arrange for access to the Defense Manpower Data Center's information base.
Status: Action in process. By the end of 1987, the Office of the Assistant Commissioner (International) will be forwarding to the Commissioner its recommendations as to what should be done in response to this recommendation.

Tax Administration

Tax Administration: Administration of the Bad Check Penalty

GGD-87-52BR, 03/30/87

Background

GAO reviewed the Internal Revenue Service's (IRS) administration of the bad check penalty on taxpayers' checks to determine: (1) the number of bad checks returned to IRS; (2) the extent to which IRS assessed the penalty against such checks; and (3) the extent to which penalty assessments covered the costs of processing bad checks and assessing penalties.

Findings

GAO found that: (1) IRS assessed penalties on 82 percent of the 184,000 checks that depositories returned during the first 6 months of 1986; (2) it did not assess penalties on the balance because

it determined that they were tendered in good faith; (3) the deterrent effect of the bad check penalty was difficult to determine because taxpayers who submitted bad checks were also subjected to bank processing charges and other IRS penalty and interest assessments which acted as deterrents; (4) IRS processing costs exceeded the amount of the penalty assessment for about 59 percent of the bad checks it processed during the first 6 months of 1986; and (5) the 1-percent penalty for bad checks written for large amounts more than offset the costs to process checks written for smaller amounts.

Open Recommendations to Congress

Recommendation: Since the bad check penalty has remained unchanged since 1954, Congress may wish to consider whether the penalty is still appropriate and the extent it should serve as a deterrent or to recover processing costs. Regarding processing costs, Congress may wish to consider whether costs should be recovered in total or on a per-check basis.

Status: Recommendation valid/action not intended.

Tax Administration

Tax Administration: Federal Tax Deposit Information Can Be Processed More Efficiently

GGD-87-86, 07/02/87

Background

GAO studied the efficiency of the Internal Revenue Service's (IRS) optical character recognition equipment to determine: (1) if the speed and accuracy of processing payment information are enhanced when depositories use machine-readable type to encode dollar amounts on federal tax deposit (FTD) coupons instead of handwritten figures; and (2) whether opportunities exist to increase the use of coding.

Findings

GAO estimated that depositories encoded about 19 percent of the FTD coupons IRS received in fiscal year 1986. GAO found that: (1) in tests of optical character recognition equipment at two IRS service centers, one center scanned encoded coupons 36-percent faster and 92-percent more accurately than nonencoded coupons, while the other service center scanned encoded coupons 55-percent faster and 56-percent more accurately than nonencoded coupons; (2) IRS officials attributed the differences between the service centers to such factors as management styles, locations of the optical character function in the service center organizations, and staff abilities; (3) representatives from most nonencoding depositories indicated that their institutions could encode dollar amounts on coupons using the same equipment they used to process checks; and (4) the Department of the Treasury, IRS, and the Federal Reserve are encouraging nonencoding banks to start encoding. GAO concluded that encoding dollar amounts on coupons: (1) improves IRS operating efficiency; (2) reduces staff time associated with processing coupons; (3) reduces the optical character recognition equipment's coupon-processing time, making it available for other processing; and (4) could improve the accuracy with which depositories tabulate coupons and report total payment amounts to the Federal Reserve.

Open Recommendations to Agencies

Recommendation: To improve the efficiency with which FTD coupons are processed and better ensure that all depositories reasonably capable of encoding dollar amounts on FTD coupons do so, the Secretary of the Treasury should establish the necessary regulations and procedures to: (1) require federal depositories to encode dollar amounts on individual FTD coupons before submitting them to IRS for processing; and (2) exempt depositories that would incur prohibitive costs in complying.

Status: Action taken not fully responsive. Treasury disagreed and decided to conduct a promotion program to encourage banks to voluntarily encode their FTD coupons. Although GAO would support a promotion, it believes that such efforts have proven to be less than successful in getting all banks to encode.

Tax Administration

Tax Administration: Gas Guzzler Tax Compliance Can Be Increased

GGD-87-85, 07/16/87

Background

GAO: (1) discussed the need for improving taxpayer compliance with the gas guzzler excise tax; (2) evaluated Internal Revenue Service (IRS) efforts to enforce the tax; and (3) identified methods for improving taxpayer compliance.

Findings

GAO sampled independent imports entering the United States through ports in four Customs Service districts from November 1983 through November 1984. GAO found that: (1) less than 1 percent of the independent importers paid the gas guzzler tax; (2) this noncompliance resulted in lost tax revenues of over $6 million; and (3) most factory-authorized importers paid the tax. IRS believed that the primary reasons independent importers did not pay the tax, besides intentional tax evasion, were that: (1) many liable taxpayers were unaware of the tax; and (2) some importers, who were aware of the tax, did not believe that it applied to them. GAO concluded that, although IRS has taken actions to enforce the tax, these actions may not reduce tax noncompliance.

Open Recommendations to Congress

Recommendation: Congress should consider amending Internal Revenue Code section 4064, "Gas Guzzler Tax," to require importers to pay the tax to Customs at the time fuel-inefficient vehicles are imported.
Status: Action in process.

Recommendation: Congress should consider amending the bonding requirement for independent importers to require proof of payment of the gas guzzler tax before the bond is released.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: To promote voluntary compliance through increased taxpayer awareness, the Commissioner of Internal Revenue should arrange for Customs to include information on the gas guzzler tax in the pamphlet it provides to independent importers.
Status: Action in process. IRS contacted Customs to identify specific documents to be revised and to discuss the methodology and timing of any changes. IRS is developing language for inclusion in Customs' pamphlet to independent importers on the gas guzzler tax.

General Science, Space, and Technology

General Science and Basic Research

Implementing the Small Business Innovation Development Act—The First 2 Years

RCED-86-13, 10/25/85

Background

GAO reported on the implementation of the Small Business Innovation Development Act, including the extent to which: (1) agencies established, funded, and provided accurate information on small business innovation research (SBIR) activities; and (2) the Small Business Administration (SBA) and the Office of Science and Technology Policy (OSTP) carried out program coordination, monitoring, and congressional reporting duties mandated by the act. The act requires that each agency that spends more than $100 million annually on extramural research establish an SBIR program and each agency that spends more than $20 million annually on research establish non-SBIR research funding goals for small businesses.

Findings

GAO found that, through fiscal year (FY) 1984: (1) 11 of the 12 agencies that were required to establish SBIR programs did so; (2) the agencies made about 2,100 SBIR awards totalling $156 million; (3) most of the agencies reported compliance based on SBIR obligational authority, rather than on actual extramural obligations, because a reporting deadline established by the act conflicts with agencies' deadlines for making budget submissions to the Office of Management and Budget (OMB); and (4) most agencies either met or came close to meeting their required SBIR percentages. GAO also found that: (1) most of the agencies required to have non-SBIR goals did not provide SBA with all of the data necessary to ensure compliance with the act; (2) in FY 1984, the amount of total research and development (R&D) dollars that agencies reported to SBA differed from the amount reported in the President's budget; (3) SBA has issued policy guidance, publicized the SBIR program, coordinated agencies' issuance of SBIR solicitations, and monitored and reported agencies' implementation efforts; and (4) while OSTP has monitored agency implementation and reported to Congress as required by the act, it has not assessed the quality of research performed under SBIR programs, as Congress apparently intended.

Open Recommendations to Agencies

Recommendation: To permit proper determination of compliance with the funding provisions of the act, the heads of appropriate agencies with SBIR programs should report actual FY extramural R&D obligations, rather than estimates, to SBA.
Addressee: Department of Defense
Status: Action taken not fully responsive. The Department of Defense (DOD) indicated that it would report actual obligation data, according to the SBA Annual Report to Congress for FY 1985. DOD was the only agency that did not report actual obligations.

Recommendation: The Administrators of the Agency for International Development (AID) and the Veterans Administration (VA) should submit data for FY 1983 and FY 1984 regarding non-SBIR goals to SBA, in accordance with requirements contained in the act and the SBA policy directive.
Addressee: Agency for International Development
Status: Action not yet initiated. AID will provide the FY 1983 and 1984 data to SBA, but it did not specify a date by which the action would be completed.
Addressee: Veterans Administration
Status: Action not yet initiated. VA will provide the FY 1983 and 1984 data to SBA as soon as it is available from the Federal Procurement Data Center. VA did not specify a date by which the action would be completed.

Recommendation: The heads of applicable agencies subject to the non-SBIR goals provisions of the act should reassess their respective agencies' reports to OMB and SBA for FY 1983 and FY 1984, make them consistent, and instruct the appropriate officials to take steps to ensure the consistency of these reports in the future.
Addressee: Department of Transportation
Status: Action not yet initiated. DOT has not responded to the final report and did not address this recommendation in its comments on the draft report.
Addressee: Department of Defense
Status: Action in process. DOD stated that it would make future reports consistent, but it did not commit to a specific date for doing so. SBA has not published officially reported data since

the report, so consistency cannot yet be determined.
Addressee: Environmental Protection Agency
Status: Action not yet initiated. EPA agreed with this recommendation but did not specify what, if any, action it plans to take to reassess the FY 1983 and 1984 reports.
Addressee: Nuclear Regulatory Commission
Status: Action in process. NRC plans to reassess the FY 1983 and 1984 reports. SBA has not published officially reported data since the report, so consistency cannot yet be determined.
Addressee: Department of Justice
Status: Action in process. The Department of Justice reviewed the FY 1983 and FY 1984 reports and concluded that revisions were not needed. It agreed that reporting should be consistent. SBA has not published officially reported data since the report, so consistency cannot yet be determined.
Addressee: National Aeronautics and Space Administration
Status: Recommendation valid/action not intended. NASA believes that the reports to SBA and OMB are inherently different and cannot be made consistent.
Addressee: Smithsonian Institution
Status: Action not yet initiated. The Smithsonian Institution has not yet specifically addressed this recommendation. It was not addressed in advance comments and the Smithsonian has not responded to the final report.
Addressee: Tennessee Valley Authority
Status: Action taken not fully responsive. The Tennessee Valley Authority (TVA) stated that it provided the revised figures in March 1985. It did not specify whether it reassessed the FY 1983 and 1984 reports or what steps it had taken to ensure consistent reporting in the future.

Recommendation: The heads of applicable agencies subject to the non-SBIR goals provisions of the act should, after reviewing OMB and SBA reports, provide SBA with revised non-SBIR goals data, where necessary.
Addressee: Department of Transportation
Status: Action not yet initiated. DOT has not responded to the final report and did not address this recommendation in its comments on the draft report.
Addressee: Department of Defense
Status: Action not yet initiated. DOD did not address this recommendation in its comments on the final report. It misinterpreted this recommendation in commenting on the draft report.
Addressee: National Aeronautics and Space Administration
Status: Recommendation valid/action not intended. NASA believes that the reports to SBA and OMB are inherently different and cannot be made consistent.
Addressee: Department of Agriculture
Status: Action not yet initiated. USDA will provide the revised data to SBA.

Recommendation: The heads of applicable agencies subject to the non-SBIR goals provisions of the act should instruct the appropriate officials in their respective agencies to establish goals known to officials responsible for awarding external R&D funds.
Addressee: Department of Transportation
Status: Action not yet initiated. DOT has not responded to the final report and did not address this recommendation in its comments on the draft report.
Addressee: Agency for International Development
Status: Action not yet initiated. AID did not specify planned actions regarding this specific recommendation.
Addressee: Veterans Administration
Status: Action not yet initiated. VA did not address this recommendation in its comments on the draft report or in its response to the final report.
Addressee: Department of Education
Status: Action in process. Education is developing notices to be sent to all senior officers informing them of goals and requesting their help in meeting the goals. Education did not specify a completion date for this action.
Addressee: Nuclear Regulatory Commission
Status: Action not yet initiated. NRC will notify officials of goals.
Addressee: National Aeronautics and Space Administration
Status: Action in process. NASA began notifying officials of goals in March 1986, however, it was unable, as yet, to confirm the promised action.
Addressee: Smithsonian Institution
Status: Action not yet initiated. The Smithsonian did not address this recommendation in its comments on the draft report and has not yet responded to the final report.
Addressee: Tennessee Valley Authority
Status: Action not yet initiated. TVA stated that it would promptly notify managers of the goals, but it did not state a specific date by which it would do so.
Addressee: Department of Agriculture
Status: Action not yet initiated. USDA will inform officials of goals.

Recommendation: The Administrator, SBA, should recompute agencies' non-SBIR goals using revised data for FY 1983 or FY 1984 that agencies provide to SBA after reviewing previously submitted data for consistency with data reported to OMB. SBA should also use the recomputed FY 1983 goals as the baseline data against which to evaluate goal achievement in subsequent years.
Status: Action in process. SBA is recomputing agencies' goals as they submit revised FY 1983 and 1984 data. Completion of this action depends on all agencies submitting revised data.

Recommendation: OSTP should expand its oversight of agencies' SBIR programs by using the Federal Coordinating Council for Science, Engineering, and

Research to monitor the SBIR programs in terms of research quality.
Status: Recommendation valid/action not intended. OSTP believes that adequate quality assurance measures are built into agencies' project selection procedures and further OSTP effort is unnecessary. GAO rebutted the basis for OSTP opposition in the report.

General Science and Basic Research

Patent Policy: Recent Changes in Federal Law Considered Beneficial

RCED-87-44, 04/16/87

Background

Pursuant to a congressional request, GAO reviewed federal agency implementation of three recent patent policy changes and their impact on universities, small businesses, and other nonprofit organizations.

Findings

GAO noted that federal agencies are in the process of implementing legislative amendments that: (1) changed title rights to inventions that nonprofit organizations and small businesses developed with federal funds; (2) extended title rights to federal contractors to inventions they developed with federal funds; and (3) established a Statutory Invention Registration (SIR) procedure to reduce the federal patent inventory. GAO found that implementation of these amendments was delayed because the Department of Commerce disagreed with the Department of Energy (DOE) over proposed regulations affecting DOE government-owned, contractor-operated facilities. GAO also found that: (1) the amendments have been significant in stimulating business sponsorship of university research and the removal of licensing restrictions on nonprofit organizations; (2) the Small Business Innovation Research program and lower maximum capital gains tax rates had an equal or greater impact on small business research and innovation efforts; and (3) DOE plans to issue a regulation establishing criteria and procedures for large business contractors to retain title rights to some or all of their inventions.

Open Recommendations to Agencies

Recommendation: The Secretaries of Defense and Energy should encourage the use of SIR by establishing written criteria for determining whether to file for a patent or SIR.
Addressee: Department of Defense
Status: Action in process. The Department of Defense (DOD) has not yet provided GAO with a specific action plan.
Addressee: Department of Energy
Status: Action in process. DOE has not yet provided GAO with a specific action plan.

Recommendation: The Secretaries of Defense and Energy should encourage the use of SIR by recognizing SIR in their incentive awards programs.
Addressee: Department of Defense
Status: Action in process. DOD has not yet provided GAO with a specific action plan.
Addressee: Department of Energy
Status: Action in process. DOE has not yet provided GAO with a specific action plan.

Recommendation: The Secretaries of Defense and Energy should encourage the use of SIR by establishing annual percentage goals for using SIR.
Addressee: Department of Defense
Status: Recommendation valid/action not intended. DOD disagreed with this recommendation in agency comments and its 31 U.S.C. 720 response.
Addressee: Department of Energy
Status: Recommendation valid/action not intended. DOE disagreed with this recommendation in its agency comments and 31 U.S.C. 720 response.

Affirmative Action: National Institutes of Health Does Not Fully Meet Federal Requirements

HRD-86-37, 03/05/86

Background

Pursuant to a congressional request, GAO evaluated equal employment opportunity (EEO) and affirmative action activities at the National Institutes of Health (NIH), to assess how: (1) the reorganization of the Division of Administrative Services affected black employees; (2) the discrimination complaints process is working; (3) the affirmative action program is working; and (4) minorities and women are represented in the work force.

Findings

GAO found that, although the reorganization of the Division of Administrative Services caused anxiety among all of the employees and some blacks felt that they were treated unfairly, there was no evidence that minorities were treated differently than nonminorities, and no employees were downgraded or dismissed as a result of the reorganization. NIH took longer to investigate, render a decision on, and resolve discrimination complaints than other public health agencies because of internal management and personnel problems involving those responsible for the investigations. Although NIH appointed a new division director who initiated actions to improve processing, it needs to sustain its efforts and attention to ensure further improvements. NIH has not fully complied with four of the eight requirements for the Equal Employment Opportunity Commission (EEOC) Affirmative Action Program. Specifically, it has not: (1) established numerical hiring goals for underrepresented groups; (2) consistently implemented minority and female recruitment strategies; (3) collected key data to monitor the program; and (4) completed analysis of impediments to EEO. GAO believes that: (1) this noncompliance may have contributed to the continued underrepresentation of minorities and women; and (2) NIH management needs increased effort, strong commitment, and active support to bring its affirmative action plan into compliance.

Open Recommendations to Congress

Recommendation: Congress should explore the situation with the Office of Personnel Management and EEOC to clarify what these agencies' current positions are concerning the collection of flow data.

Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Director, NIH, to comply with EEOC Affirmative Action Program directives by identifying and eliminating employment barriers for minorities and women.

Status: Action in process. Estimated completion date: 01/88. By the end of FY 1986, NIH completed barrier analysis studies of all of the targeted occupations in its affirmative action plan. During FY 1987, NIH began to: (1) take action to improve the representation of minorities and women in these targeted positions; and (2) collect applicant flow data to improve the quality of future barrier analysis reviews.

Financial Management: An Assessment of the Veterans Administration's Major Processes

AFMD-86-7, 06/27/86

Background

In response to a congressional request, GAO reported on the Veterans Administration (VA) financial management processes to: (1) identify and describe the major VA financial management processes and the primary information on which they rely; (2) identify and assess the major financial management implications of any weaknesses in this information; (3) determine if and how VA ranks veterans' needs with service-connected health care problems in its medical care and construction planning; and (4) identify and assess the processes VA uses to rank major construction projects.

Findings

GAO found that, although VA has a basically sound financial management process, it does not have reliable, timely, and useful cost and work-load information to support this process because: (1) it has not set realistic, measurable goals for its medical care and construction programs and lacks the information to assess results against such goals; (2) its financial management systems design is inadequate; (3) its automatic data processing system has problems; (4) its health care planning and programming process has not yet produced a realistic, national health care strategy for establishing both budget and construction priorities; (5) its major construction planning and prioritization process has no clear focal point of accountability below the Administrator; and (6) the data from the planning process and from the facility engineer's assessment of each facility's physical condition are inadequate. GAO also found that VA systems do not provide the per-patient clinical and cost information required to allocate hospital operating budgets based on the types of patient illnesses, and consequently: (1) hospitals lack information about their actual costs of treating specific patients or illnesses to help identify ways to control those costs; (2) VA cannot readily track patient drug usage and doctor prescription patterns, making it difficult to manage drug usage and costs; and (3) the primary medical program cost reports that VA uses for planning, budgeting, and budget execution are based on unreliable quarterly estimates.

Open Recommendations to Agencies

Recommendation: The Administrator of Veterans Affairs should take action to improve VA budget execution for medical care by using a cost accounting system which captures costs and work-load data on a more specific and managerially useful basis, such as diagnostic-related groups (DRG) or individual patients. The capture of data by DRG would permit hospitals to better control excessive costs related to DRG. Since VA allocates hospital budgets on the basis of work load and costs as measured by DRG, its accounting system should be able to capture work load and costs on the same basis.
Status: Action not yet initiated. VA is evaluating several alternative medical information/accounting systems that would provide the information necessary to implement this recommendation.

Recommendation: The Administrator of Veterans Affairs should take action to improve VA budget execution for medical care by setting standards for many of the inputs to medical care to provide managers with reports showing variances between planned versus actual work load and costs. The Brockton/West Roxbury project is reviewing a well-developed variance reporting system that might be applicable.
Status: Action in process. VA is evaluating several alternative medical information management systems that would permit it to implement this recommendation.

Recommendation: The Administrator of Veterans Affairs should take action to improve VA budget execution for medical care by incorporating a modeling function within its management information system to permit managers to analyze projections of the probable consequences of alternative changes in budget work loads and costs.
Status: Action in process. VA stated that any medical management information system it adopts will have such a function.

Recommendation: The Administrator of Veterans Affairs should take actions to improve the VA budget formulation process for medical care, including: (1) the use of a casemix approach to develop

its budget, which would involve using costs which are more clearly related to VA estimates of veterans' medical needs; (2) the development of an approach to budget formulation which would emphasize the role of field management, not only Central Office management, and would foster better communication and understanding between the participants and improve the delivery of medical care; and (3) the use of cost and work-load data by DRG to improve the linkage between budget formulation and execution and to develop more accurate budget estimates.
Status: Action taken not fully responsive. VA stated that its data is insufficient to implement a casemix approach at this time; however, VA has not ruled it out in the future. VA did not state why its current casemix model is inadequate.

Recommendation: To make its Medical-District-Initiated Program Planning (MEDIPP) system more useful to both medical care planners, decisionmakers, budget officers, and Congress, the Administrator of Veterans Affairs should: (1) develop a clearly ranked set of national medical care goals and objectives to guide both MEDIPP planners and those who prioritize medical care construction projects; (2) establish a planning framework based on a projection of the types of illnesses, for which future veterans are expected to request care, and an analysis of the resources necessary to provide that care; (3) systematically collect and use veteran eligibility data in planning to meet the needs of the greatest number of veterans authorized to receive VA medical care in the order of their priority for receiving care; and (4) develop a systematic mechanism to link the results of MEDIPP with the budget process.
Status: Action in process. On October 1, 1986, VA started collecting eligibility data. The data will be used in the 1988 MEDIPP cycle. VA stated that it is also implementing other parts of this recommendation.

Recommendation: The Administrator of Veterans Affairs should continue efforts to: (1) improve the reliability and usefulness of the data bases with planning applications, giving priority to current efforts to develop a system of capturing clinical work-load and cost data on a per-patient, per-illness, and clinic-stop basis; and (2) use one or more dollar ceilings to guide MEDIPP planners in their assessment of alternative medical care strategies.
Status: Action in process. VA is developing a system that would capture patient clinical and cost data. It is uncertain when this system will be operable. Beginning with MEDIPP plans submitted in November 1986, MEDIPP planners are using a dollar ceiling in plan development.

Recommendation: To correct the weaknesses in the VA construction process, the Administrator of Veterans Affairs should develop a phased strategy to include actions that would: (1) require that MEDIPP produce a national medical care strategy, with clearly defined medical care priorities, and the construction projects to support those priorities; (2) establish a comprehensive set of design standards for each major type of VA medical care facility for use in the construction process; (3) establish a comprehensive set of work-load, staffing, and space design standards for each major function in a VA medical care facility; (4) establish clear milestones for the planning, design, and construction of each major type of facility; and (5) clearly define the roles and responsibilities of major participants and assign primary responsibility and accountability to one office for both the timeliness and results of each major step of the process.
Status: Action not yet initiated.

Recommendation: The Administrator of Veterans Affairs should take action to improve financial management information by calculating and recording an accrual, which includes an estimate of benefit payments to be paid to those individuals currently in military service. The liabilities of the compensation and pension programs would then be more fairly stated and this information could be used for planning purposes.
Status: Action not yet initiated. VA stated that its financial management systems must be overhauled to implement this recommendation.

Consumer and Occupational Health and Safety

Legislative Changes and Administrative Improvements Should Be Considered for FDA To Better Protect the Public From Adulterated Food Products

HRD-84-61, 09/26/84

Background

Pursuant to a congressional request, GAO evaluated the Food and Drug Administration's (FDA) efforts to remove adulterated food products from the market and attempted to determine whether FDA needs additional authority to carry out its mission. GAO reviewed food recalls, food seizures, and prosecution actions carried out by FDA from 1980 to 1982.

Findings

GAO found that, while FDA is authorized to seize adulterated foods, it is not authorized to detain such products while seizure actions are being processed by FDA and the Justice Department. FDA frequently requests states to detain adulterated foods or requests firms to voluntarily hold food products. However, GAO found several instances where products were unavailable for seizure by the time seizure actions were processed. GAO believes that: (1) if FDA had detention authority over adulterated foods, similar to its authority over medical devices, it could prevent greater amounts of adulterated foods from reaching the market; and (2) FDA could more easily remove adulterated foods from the market if it had the authority to review food manufacturers' production and distribution records. GAO also found that: (1) FDA could hasten the seizure process by eliminating several levels of review within FDA; (2) FDA has not adequately monitored recalled foods to ensure that recalled products are reconditioned; and (3) fines assessed for violations of federal laws pertaining to adulterated foods are relatively small.

Open Recommendations to Congress

Recommendation: Congress should consider whether FDA needs specific authority to detain adulterated foods while the agency processes seizure requests internally and through the Department of Justice.
Status: Action not yet initiated.

Recommendation: Congress should consider amending the Food, Drug, and Cosmetic Act to give FDA authority to review production and shipping records after it has found that a firm is producing adulterated food products.
Status: Action not yet initiated.

Consumer and Occupational Health and Safety

Food Inspections: FDA Should Rely More on State Agencies

HRD-86-2, 02/18/86

Background

Pursuant to a congressional request, GAO reviewed whether the Food and Drug Administration (FDA) could place greater reliance on state agencies to inspect the sanitation conditions of the food manufacturing establishments in its current inventory.

Findings

GAO noted that FDA does not specify the frequency with which food sanitation inspections should be conducted, but selects establishments for inspection based on products produced, the potential health risk involved, and the industry's inspection history. GAO found that: (1) 57 out of 69 food establishments in the FDA active inventory were

routinely inspected by state agencies on an average of every 7 months; (2) over half of the establishments had 10 percent or less interstate sales; and (3) of the 57 firms sampled, 23 had one or more routine inspections where serious sanitation problems were noted. GAO also found that: (1) FDA justified keeping 69 establishments in its inventory because they had a large volume of business, produced products that had the potential for sanitation problems, or were subject to consumer complaints and labelling problems involving food and color additives; (2) where seriously unsanitary conditions are noted, state agencies inspect such establishments twice as frequently as other establishments; (3) consumer complaints could be forwarded to state agencies for follow-up procedures; and (4) in view of the states' significant roles in regulating the condition of food manufacturers, FDA inspections of most of the establishments are not warranted.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to review the current inventory and determine the establishments that should be removed, considering state inspection frequency, policies, results, interstate commerce, and sales volume.
Status: Action in process. FDA established a committee to make recommendations regarding criteria to be followed in allocating resources for food sanitation inspections. Recommendations are expected to be implemented.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, in conjunction with state inspection agencies, to begin developing a strategy for future inspection of establishments with a history of serious or very serious sanitation problems to help ensure that these establishments are in compliance with applicable food laws and regulations.
Status: Action in process. FDA is working closely with state agencies regarding work planning, use of computers in monitoring food establishments, and national pesticide data programs.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to consider the current level and allocation of inspection resources devoted to the food sanitation programs and make appropriate adjustments, recognizing the reduced inventory and extent of inspection coverage needed to adequately monitor food manufacturing establishments.
Status: Action taken not fully responsive. FDA indicated that it has reduced its inspections of food establishments. However, based on recent work, GAO noted that some establishments are still being inspected although they appear to be the states' responsibility. This matter will be addressed in subsequent work.

Consumer and Occupational Health and Safety

Food and Drug Administration: Laboratory Analysis of Product Samples Needs To Be More Timely

HRD-86-102, 09/30/86

Background

GAO reviewed the Food and Drug Administration's (FDA) field laboratories, specifically: (1) their timeliness in processing product samples to determine if they were violative; and (2) measures FDA could implement to improve this process.

Findings

FDA district office investigators collect and ship samples to laboratories for analysis and classification as: (1) compliance samples, which FDA believes are possibly violative; or (2) surveillance samples, collected to obtain safety and other data. To achieve its consumer protection responsibilities, FDA must quickly identify and remove known or suspected violative products from the market. GAO found that FDA: (1) has not given its laboratories sufficient guidance on how quickly they should process such products; (2) does not monitor or evaluate field performance in meeting processing-time guidelines; and (3) has not given the laboratories guidance on managing the flow of samples into inventory or adequately

controlling inventory size. Since laboratory documentation requirements add to sample processing time, FDA has allowed abbreviated reports of sample test results in some cases. However, many field laboratories have not used the abbreviated report. GAO previously proposed that Congress consider giving FDA broader detention authority to help keep violative products off the market, FDA believes that the detention period should be the 30 days after sample collection, which would require a shortening of the laboratory processing time to allow time for the necessary legal actions to seize the violative products.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to establish procedures that require laboratory directors to continue to prepare schedules for receipt of surveillance samples tested for other districts, and require these districts to follow the prepared schedules, unless agreements on deviations from the schedules are reached with the laboratory.
Status: Action taken not fully responsive. FDA instructed its district directors to monitor and manage the flow of surveillance samples from other districts and prepare work schedules to determine when samples may be accepted. Action was accomplished at a district managers' conference. Follow-up over time is needed to ensure that oral instructions are sufficient to accomplish the purpose of this recommendation.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to establish procedures that require laboratory directors to determine an approximate inventory size that will permit the processing of samples within the time-frame guidelines established by FDA.
Status: Action taken not fully responsive. District directors were directed to implement this recommendation. Additional work is needed to determine whether such a directive is effective.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to establish a policy that prohibits the dumping of product samples into the laboratory's inventory.
Status: Action taken not fully responsive. FDA action consisted of oral instructions at a November 1986 district managers' conference. Further follow-up over time is needed to ensure that oral instructions are sufficient to accomplish the purpose of this recommendation.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to assess the simplified analytical documentation practices used by various FDA laboratories, including eliminating detailed step-by-step descriptions of the analyses performed on nonviolative samples, and determine their applicability to all FDA laboratories.
Status: Action in process. FDA initiated a study to access simplified documentation for its applicability to all FDA laboratories.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to define the universe of samples that should be covered by abbreviated reporting.
Status: Action in process. FDA initiated a study to define the universe of samples that should be covered by abbreviated reporting.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to develop a standardized abbreviated form and implement its use as FDA policy on a laboratorywide basis.
Status: Action in process. FDA initiated a study to access the feasibility of abbreviated reporting for all FDA laboratories. If feasibility is determined, appropriate reporting forms will be developed.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to evaluate field laboratory performance in meeting the time-frame guidelines.
Status: Action in process. FDA is modifying the laboratory management system to provide better analysis capabilities.

Consumer and Occupational Health and Safety

Pesticides: Need To Enhance FDA's Ability To Protect the Public From Illegal Residues

RCED-87-7, 10/27/86

Background

In response to a congressional request, GAO reviewed the Food and Drug Administration's (FDA) activities to protect the public from exposure to illegal pesticide residues in the domestic food supply under the Food, Drug, and Cosmetic Act, specifically its: (1) monitoring of the nation's domestic food supply for illegal residues: and (2) efforts to prevent food containing illegal residues from reaching the market.

Findings

GAO noted that, since FDA cannot monitor all food that might contain illegal pesticide residues, it designed its monitoring program to selectively spot-check a very small amount of domestically produced food and remove food that it found to contain illegal residues. GAO found that the FDA pesticide monitoring program has two major shortcomings because FDA does not: (1) regularly test food for a large number of pesticides that might be present in food, including a number of pesticides that, according to FDA, require continuous or periodic monitoring because they are known as potential health hazards and are likely to be used; (2) prevent the marketing of most of the food that it finds containing illegal pesticide residues; and (3) penalize growers who market food with illegal pesticide residues when FDA is unable to remove it from the market.

Open Recommendations to Congress

Recommendation: In view of the difficulties that FDA faces in trying to use existing authorities to prevent the marketing of domestic food containing illegal pesticide residues and the need to provide a strong deterrent against such shipments, Congress may wish to give FDA legislative authority to assess civil penalties against growers of such food when it is not removed from the marketplace.
Status: Action in process.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to establish specific criteria for the level of testing that is required for continuous and periodic monitoring and require FDA laboratories to test in accordance with such criteria.
Status: Action in process. Estimated completion date: 01/88. FDA stated that it plans to: (1) give more emphasis to headquarters-directed surveys; (2) increase the number of samples; (3) improve planning and evaluation of FDA sample coverage; and (4) expand FDA-state cooperative sampling.

Consumer and Occupational Health and Safety

Medical Devices: Early Warning of Problems Is Hampered by Severe Underreporting

PEMD-87-1, 12/19/86

Background

In response to a congressional request, GAO provided information on the communications network and its flow patterns for problems associated with medical devices that the Food and Drug Administration (FDA) has reviewed or approved for marketing, specifically: (1) how hospitals report problems that occur in the use of medical devices; (2) how hospitals, manufacturers, and FDA respond to these problems; and (3) how other federal programs monitor the safety of selected technologies and

identify promising practices that FDA might apply to medical devices.

Findings

GAO found that: (1) hospitals were aware of most medical-device problems; (2) 9 percent of the problems identified with the 10 devices GAO studied involved actual injuries; (3) wear or deterioration of devices was the major cause of problems in one-third of the hospital reports, while other causes were defective components, design flaws, and improper use; (4) hospitals reported only 51 percent of identified medical-device problems to outside organizations such as device manufacturers, distributors, and independent distributors; (5) hospitals reported 83 percent of their reports orally and without documentation; (6) hospitals reported more manufacturer-related problems than user-related problems; (7) hospitals repaired or replaced defective components to avoid a recurrence of 85 percent of the problems they experienced; (8) 52 percent of the problems hospitals reported to manufacturers and distributors resulted in the repair or replacement of a failed device; (9) hospitals did not report problems to FDA, preventing an effective postmarketing surveillance system; and (10) 53 percent of surveyed health-care professionals were not aware of the FDA system for reporting problems. GAO believes that: (1) the information loss will not improve significantly, despite a new rule that requires manufacturers to report to FDA problems that have caused or may cause injury or death, since hospitals fail to report many of those problems to the manufacturers; and (2) representative sampling would be an efficient way to obtain necessary monitoring information.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should correct the underreporting of medical-device problems by requiring independent distributors of medical devices to report information about problems with devices to manufacturers, as manufacturers are required to report to FDA under the medical-device reporting rule.
Status: Action in process. Estimated completion date: 01/88. The House Energy and Commerce Committee, Health and the Environment Subcommittee, held hearings on May 4, 1987, and asked GAO to do a follow-up study on FDA implementation of medical device reporting regulations (MDR). HHS stated that, since the comments on the draft report were submitted, FDA has initiated a major assessment of the total device postmarketing surveillance activity.

Recommendation: The Secretary of Health and Human Services should correct the underreporting of medical-device problems by establishing a more effective cooperative relationship with professional health organizations to develop and distribute educational materials for health-care professionals on the FDA need for early warning information and on how to report medical-device problems.
Status: Action in process. Estimated completion date: 01/88. The House Committee on Energy and Commerce, Health and the Environment Subcommittee, held hearings on May 4, 1987. The Subcommittee asked GAO to do a follow-up study on the FDA implementation of MDR. In response to OMB Circular A-50, HHS stated that, since the comments on the draft report were submitted, FDA initiated a major assessment of the total device postmarketing surveillance activity.

Recommendation: The Secretary of Health and Human Services should correct the underreporting of medical-device problems by recommending that FDA explore the possibility of establishing a voluntary, postmarketing surveillance system involving a representative sample of hospitals that would report directly to device manufacturers. This recommendation is made in light of the void of information on problems with medical devices, the potential harm to people that could ensue, and recent developments indicating a more cooperative attitude by hospitals.
Status: Action in process. Estimated completion date: 01/88. The House Committee on Energy and Commerce, Health and the Environment Subcommittee, held hearings on May 4, 1987. The Subcommittee asked GAO to do a follow-up study on the FDA implementation of MDR. In response to OMB Circular A-50, HHS stated that, since the comments in the draft report were submitted, FDA initiated a major assessment of the total device postmarketing surveillance activity.

Consumer and Occupational Health and Safety

Personnel Practices: Employee Allegations Concerning OSHA Personnel Practices

HRD-87-5, 02/03/87

Background

In response to a congressional request, GAO investigated the Department of Labor's Occupational Safety and Health Administration's (OSHA) personnel practices to identify any: (1) alleged official actions that could adversely affect OSHA operations; and (2) weakening in the promulgation and enforcement of OSHA health and safety standards.

Findings

GAO found that: (1) 97 of the 124 allegations it reviewed did not have merit, because OSHA could explain them adequately or the complainants could not substantiate them; (2) the remaining allegations did not indicate that widespread violations of civil service and ethics law occurred within OSHA; and (3) few of the allegations would be statutory violations even if they were corroborated. GAO noted that the allegations involved: (1) professional differences between OSHA management and staff in the formulation and revision of OSHA standards; (2) disagreements between OSHA management and staff concerning the qualifications of OSHA employees; (3) disagreements between OSHA management and staff concerning staff management; (4) OSHA actions that lessened the enforcement of its standards; and (5) miscellaneous personnel-related actions that could adversely affect agency operations. GAO determined that OSHA improperly handled: (1) Region IX workers' complaints concerning discrimination; and (2) allegations concerning an assistant regional administrator's improper promotion procedures.

Open Recommendations to Agencies

Recommendation: The Secretary of Labor should request that the Inspector General (IG), in cooperation with the Office of the Assistant Secretary, OSHA, initiate further investigation of the matters discussed in this report concerning the questionable handling of discrimination complaints 46 workers filed in OSHA Region IX and a possible conflict of interest regarding an OSHA employee's promotion.
Status: Action in process. Estimated completion date: 03/88. The recommended investigation is underway.

Consumer and Occupational Health and Safety

ADP Procurements: Food and Drug Administration Circumvented Procurement Regulations

IMTEC-87-48, 09/11/87

Background

In response to a congressional request, GAO reviewed allegations of improper computer procurements by the Food and Drug Administration (FDA).

Findings

GAO found that: (1) FDA split one procurement into 11 smaller procurement requests to circumvent both the maximum order and dollar limitations for General Services Administration (GSA) schedule contracts; (2) the Department of Health and Human Services (HHS) did not detect the error; (3) FDA circumvented procurement regulations requiring it to advertise for competitive bids; and (4) FDA failed to obtain HHS approval for the procurements, since they exceeded $150,000.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should withdraw the FDA delegation of procurement authority for the Import Data System project until FDA brings its acquisition strategy into compliance with GSA procurement regulations and guidelines.
Status: Action in process. Although HHS did not withdraw the delegation of procurement authority, it did instruct FDA not to procure the equipment until FDA brought the acquisition strategy into compliance with GSA procurement regulations. FDA cancelled the procurement requisitions.

Recommendation: The Secretary of Health and Human Services should review any other ADP procurements planned by FDA to ensure that they are in compliance with the applicable regulations and guidelines.
Status: Action not yet initiated. HHS has not yet responded to this recommendation.

Recommendation: The Secretary of Health and Human Services should direct FDA to establish ADP procurement guidelines that are consistent with applicable regulations and guidelines.
Status: Action not yet initiated. HHS has not yet responded to this recommendation.

Recommendation: The Secretary of Health and Human Services should review HHS procedures for approving agency procurement requests for computer equipment to ensure that such procedures are in compliance with GSA regulations and HHS guidelines.
Status: Action not yet initiated. HHS has not yet responded to this recommendation.

Health Care Services

Improving Medicaid Cash Management Will Reduce Federal Interest Costs

HRD-81-94, 05/29/81

Background

GAO reviewed the state systems for recovering Medicaid overpayments to providers and for returning the federal share of these overpayments to the Department of Health and Human Services (HHS).

Findings

GAO found that over $11 million in Medicaid and other program funds were in non-interest-bearing checking accounts in three states. Because the banks had use of this money, the federal and state governments lost incurred interest of over $1.3 million. One of the banks involved reported earning $512,000 on the Medicaid funds it held for an 11-month period. Some states drew federal funds in excess of current disbursement needs, invested the balances, and retained the interest earned. States had not returned the federal share of $23 million it identified as uncollected overpayments. The time that elapsed between when states made cash collections and when they returned the federal share enabled states to earn substantial amounts of interest on federal funds.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to modify the procedures through which the federal share of recovered Medicaid overpayments is returned to eliminate the long elapsed time between recovery and return of the federal share.
Status: Action in process. Estimated completion date: 04/88. Section 9512 of the Consolidated Omnibus Budget Reconciliation Act of 1985 requires that overpayments be recouped in 60 days, regardless of when the state collected the overpayment. HCFA is rewriting the proposed regulations to conform to the requirements in the Consolidated Omnibus Budget Reconciliation Act of 1985.

Health Care Services

Will There Be Enough Trained Medical Personnel in Case of War?

HRD-81-67, 06/24/81

Background

The military services medical departments have missions to: (1) provide peacetime care to eligible beneficiaries; and (2) maintain readiness to meet wartime contingencies. Pursuant to a congressional request, GAO reviewed the extent to which wartime military medical personnel shortages exist, what is being done or can be done to overcome the shortages, and how well available personnel are trained for wartime missions.

Findings

An analysis of Department of Defense (DOD) data shows that the number and types of medical personnel in the active duty and reserve forces fall far short of the total projected personnel requirements for the current, most demanding wartime scenarios. DOD projections show that shortages of physicians, nurses, and enlisted medical personnel would be most severe, reduce capacity to deliver wartime care, and begin to occur soon after mobilization. Shortages of surgical personnel would be especially critical. Some other enlisted specialty shortages would also be critical because no pretrained pool exists in the civilian sector. To plan effectively for wartime contingencies, DOD planners need data not only on total medical personnel requirements, but also on what portion of those requirements DOD can actually use in its own military hospitals. It has made little progress toward implementing plans and initiatives to increase its capabilities in these personnel shortage areas. DOD medical readiness planning has focused on long-range goals and objectives to address anticipated changes in threat, personnel, and other factors in future years. Federal mobilization planners believe that the civilian sector has enough medical personnel to augment most military mobilization needs. Selective Service System (SSS) planners have not determined the rate at which medical personnel could be brought into the military if mobilization occurred. Other alternatives are available to DOD in planning to overcome shortages of medical personnel after mobilization.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should ascertain the extent to which: (1) civilian medical personnel will be required and available in the civilian sector during mobilization; and (2) DOD can rely on civilian medical personnel as it plans its mobilization efforts.

Status: Action in process. HHS began implementing this recommendation through its participation in the Emergency Mobilization Preparedness Board (EMPB) and the National Disaster Medical System. It participated in an EMPB task force in assessing the availability of civilian physicians. In July and August 1986, HHS began assessing the availability of PHS uniformed physicians.

Health Care Services

Need To Establish Medicaid Standards for Intermediate Care Facilities for the Mentally Retarded

HRD-82-57, 04/16/82

Background

GAO reviewed the growth of small, community-based, intermediate care facilities for the mentally retarded (ICF/MR), primarily in New York State.

Findings

In certain circumstances, states can temporarily waive compliance with federal ICF/MR standards and can certify for Medicaid reimbursement facilities which do not meet all of the standards. With few exceptions, ICF/MR having 15 clients or fewer initially certified by New York State had major deficiencies, and more than half still had major deficiencies when recertified. The Health Care Financing Administration (HCFA) is attempting to recover about $7 million of federal Medicaid funds which it believes it inappropriately provided to those facilities since their initial certification. Medicaid payments for services in ICF/MR are authorized if the facility's primary purpose is to provide health or rehabilitation services for mentally retarded individuals, the facility meets HCFA standards, and individuals in the facility are receiving active treatment. Regulations allow termination of provider agreements based on recurring deficiencies. However, the regulations do not define when a facility's capacity to give adequate care is seriously limited or provide adequate guidance as to when a state should deny certification because of a lack of active treatment. Appropriate guidelines would ensure that clients receive adequate care, Medicaid funds are appropriately spent, and regional offices have guidelines to review state programs.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to establish which ICF/MR standards cannot be waived and must be met before a state can certify a facility as eligible for Medicaid reimbursement.
Status: Action in process. Proposed revisions to HCFA ICF/MR standards were published in the Federal Register on March 4, 1986. HCFA reviewed the comments received from the public and the regulations are in the final clearance process.

Health Care Services

Medicare/Medicaid Funds Can Be Better Used To Correct Deficiencies in Indian Health Service Facilities

HRD-83-22, 08/16/83

Background

GAO reviewed the Indian Health Service's (IHS) management of funds collected from Medicare and Medicaid programs for services provided in its facilities to Indians eligible for these programs. IHS is required by law to use the funds collected to make improvements in its facilities to enable them to meet and remain in compliance with Medicare/Medicaid standards.

Findings

In 1976, only half of IHS hospitals met the Medicare/Medicaid standards. IHS began applying its Medicare/Medicaid funds toward the objective of bringing all of its facilities into compliance with the standards and, by October 1981, the objective was achieved. IHS now spends the funds primarily on recurring costs needed to maintain compliance. However, IHS has established a practice that results in the allocation of available Medicare/Medicaid collections to the

facility that provided the services rather than redirecting them to the most needy facilities. This practice has not ensured that the facilities most in need of funds receive them and has resulted in the accumulation of a large, unobligated balance of Medicare/Medicaid collections. GAO also found that the IHS Medicare/Medicaid billing and collection system is much more costly than those of private hospitals because: (1) IHS is not able to take advantage of the economies afforded by volume billing; and (2) the involvement of multiple IHS organizational levels in the primarily manual system is cumbersome and results in additional work through the maintenance of duplicate records.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Assistant Secretary for Health to increase the efficiency of the IHS Medicare/Medicaid billing and collection system by such means as eliminating duplicative functions among the various IHS organizational levels and increasing automation of the system where justifiable by cost savings.
Status: Action in process. Estimated completion date: 10/88. IHS automated the processing system for Medicare outpatient claims and is developing an automated process for Medicare inpatient and outpatient claims. IHS believes that it is not feasible to automate all Medicaid inpatient claims, but it is working to automate the process in certain high volume states. Implementation of the computerized system will take several more years.

Health Care Services

Inadequate Controls Over Medicare Payments for Once-in-a-Lifetime Physician Procedures

HRD-84-23, 02/13/84

Background

GAO evaluated the controls that Medicare carriers have over payments for once-in-a-lifetime physician procedures. The Health Care Financing Administration (HCFA) promulgates program regulations and defines such procedures as certain types of surgical operations and initial service visits.

Findings

GAO found that there is a fairly widespread lack of compliance with the HCFA requirement to control payments for these physicians procedures. Overpayments at the two carriers reviewed by GAO indicated that overpayments are probably substantial nationwide.

Open Recommendations to Agencies

Recommendation: The Administrator, HCFA, should develop a core list of codes to be controlled as once-in-a-lifetime procedures while implementing the HCFA Common Procedure Coding System and require carriers to have edits for these procedures.
Status: Action in process. Estimated completion date: 10/88. HCFA is developing a core list of once-in-a-lifetime procedures.

Recommendation: The Administrator, HCFA, should examine the desirability of requiring carriers to make use of procedures that can only be performed once on a beneficiary a permanent part of beneficiaries' records.
Status: Action in process. Estimated completion date: 10/88. HCFA is still studying the desirability of requiring carriers, as a permanent part of a beneficiary's record, to note the performance of once-in-a-lifetime procedures.

Health Care Services

Medicare Reimbursements for Conventional Eyeglasses

HRD-84-44, 03/07/84

Background

GAO reviewed the administration of Medicare reimbursements for cataract surgeries and prosthetic lenses by seven carriers in seven states.

Findings

In addition to the prosthetic lenses, which physicians prescribe to restore useful vision in patients who have aphakia because the natural lens of the eye is absent or was removed because of a cataract, conventional eyeglasses are usually prescribed for patients to provide refractive correction. Medicare has been paying for cataract eyeglasses, or any combination of prosthetic lenses determined to be medically necessary, to restore vision after the removal of the natural lens. However, Medicare does not pay for routine eye care or for conventional eyeglasses for the nonaphakic beneficiary, and has specifically excluded conventional eyeglasses from coverage. GAO estimated that the seven Medicare carriers reviewed paid about $6 million in 1982 for conventional eyeglasses worn by aphakic and pseudophakic beneficiaries. GAO found that the conventional eyeglasses worn by the aphakic or pseudophakic patient perform the same function as eyeglasses worn by the nonaphakic patient. Because coverage of conventional eyeglasses, which provide refractive correction, is specifically excluded under Medicare, covering such eyeglasses for aphakic and pseudophakic beneficiaries is inconsistent with Medicare law.

Open Recommendations to Agencies

Recommendation: The Administrator of the Health Care Financing Administration (HCFA) should discontinue Medicare payments for conventional eyeglasses for aphakic and pseudophakic beneficiaries.
Status: Action in process. HCFA developed a regulation to implement this recommendation, but action was delayed by a change in administrators.

Health Care Services

Payment Rates for Ambulatory Surgery Centers Are Higher Than Intended by HCFA

HRD-84-67, 07/12/84

Background

GAO examined the methodology used by the Health Care Financing Administration (HCFA) for establishing the standard overhead amounts to be paid to ambulatory surgery centers (ASC) and compared the cost to Medicare for surgery performed in ambulatory versus inpatient settings.

Findings

The Omnibus Reconciliation Act of 1980 authorized payments under Medicare to ASC to cover their operating costs. The payment amounts, called standard overhead amounts, were to be based on HCFA estimates of the costs generally incurred by ASC in furnishing services in connection with ambulatory surgery. Also, the standard overhead amounts were to be set at a level that would ensure that the Medicare costs of services in ASC would be substantially less than the costs of the surgeries if performed on a hospital inpatient basis. GAO found that HCFA set standard overhead amounts for ambulatory surgery that appear to save Medicare program dollars. However, in computing the standard overhead amounts, HCFA did not adjust charge data by the cost-to-charge ratio as intended. As a result, the standard overhead amounts are 10 percent higher than intended. GAO believes that better data should now be

available than the limited information HCFA had when it established ASC payment rates. HCFA should begin the process of reevaluating the rates.

Open Recommendations to Agencies

Recommendation: The Administrator, HCFA, should recompute ASC payment rates to incorporate the cost-to-charge adjustment.

Status: Action in process. Estimated completion date: 07/88. HCFA intends to implement this recommendation at the same time it implements the other recommendation in this report.

Recommendation: The Administrator, HCFA, should obtain more complete and current data on ASC costs and develop payment rates from it.

Status: Action in process. Estimated completion date: 07/88. HCFA developed and distributed a data collection form to gather the needed data. The Omnibus Budget Reconciliation Act of 1986 requires HCFA to update the payment rate for ASC by July 1, 1987, and annually thereafter. HCFA intends to use the data for the first update under the new law, rescheduled for July 1, 1988.

Health Care Services

Changes Needed in Medicare Payments to Physicians Under the End Stage Renal Disease Program

HRD-85-14, 02/01/85

Background

GAO reviewed a new method of physician reimbursement in the End Stage Renal Disease (ESRD) program, which is administered by the Health Care Financing Administration (HCFA). Since August 1983, ESRD physicians have been reimbursed for outpatient care on the basis of a monthly capitation payment and for inpatient care on a fee-for-service basis. GAO evaluated the HCFA methodology for deriving the monthly capitation payment to determine if it accurately reflected the services provided and evaluated whether physician payments were properly determined.

Findings

The HCFA formula for deriving the monthly capitation rate assumed that outpatients receive about 70 percent of the physician services received by inpatients and adjusted the monthly fee accordingly. GAO found that, on the average, outpatients were seen about 25 percent as often as inpatients. Using the GAO percentage in the average monthly payment formula would reduce Medicare-allowed charges for physicians' services by about $11.8 million annually. Furthermore, GAO found that, by using special dialysis procedure codes, ESRD physicians receive higher payments without showing that the services provided are greater than those provided to other hospital inpatients. However, HCFA and Medicare carriers did not define what services should be provided under the special codes. In addition, GAO estimated that annual savings of about $1.3 million could be achieved by reimbursing physicians for hospital dialysis visits on the basis of hospital visit codes rather than special dialysis visit codes. Finally, GAO identified about $721,000 in incorrect payments and another $527,000 in questionable payments covering periods of up to 3 years. Most of the incorrect payments resulted from administrative complexities involved in the collection procedures for hospitalized ESRD patients who receive maintenance dialysis. GAO believes that the use of a capitation payment system, for both inpatients and outpatients, would eliminate some of these administrative problems.

Open Recommendations to Agencies

Recommendation: If the recommendation for a total capitation system is not accepted, the Secretary of Health and Human Services should direct the Administrator, HCFA, to either: (1) eliminate the special dialysis visit procedure codes and pay physicians for the services provided to hospitalized ESRD patients during dialysis on the basis of hospital visit codes; or (2) modify the dialysis visit codes to reflect the nature and scope of physician services provided during dialysis and the amounts other physicians receive for the same or similar services.

Status: Action in process. The Department of Health and Human

Services (HHS) stated that it is conducting a study to obtain the data needed to implement this recommendation.

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to develop and implement a total capitation system to reimburse ESRD physicians for all routine physician services provided to ESRD beneficiaries. Such a system should be based on the current monthly capitation payment rates adjusted for home patient care and the value of routine hospital visits, as discussed in this report.

Status: Action in process. Estimated completion date: 10/88. HHS stated that it will initiate demonstration projects to collect the data necessary to implement this recommendation. Earlier plans to conduct such projects were delayed by funding and other problems.

Health Care Services

Medicare's Policies and Prospective Payment Rates for Cardiac Pacemaker Surgeries Need Review and Revision

HRD-85-39, 02/26/85

Background

Pursuant to a congressional request, GAO reviewed the impact of Medicare costs on: (1) pacemaker manufacturers' warranty policies; (2) pacemaker manufacturers' marketing policies; and (3) hospitals' procedures for acquiring and charging for pacemakers. In addition, GAO analyzed the impact of hospitals' and manufacturers' policies on the reasonableness of Medicare's new payment rates under the prospective payment system (PPS).

Findings

GAO found that, although pacemaker manufacturers offer discounts, ranging from 5 to 40 percent, very few hospitals have obtained discounts because: (1) manufacturers do not advertise discounts; and (2) the cost reimbursement system used by Medicare in 1981, which was used as the base for reimbursement rates under PPS, did not provide incentive for hospitals to seek discounts. GAO also found that: (1) most hospitals do not enhance their ability to obtain discounts by coordinating pacemaker purchases with their practicing physicians or with affiliated hospitals; (2) it could not obtain enough data to determine whether hospitals generally take advantage of warranty credits for replacement pacemakers; (3) PPS provides an incentive for hospitals to take advantage of warranty credits; and (4) the data used by the Department of Health and Human Services (HHS) to compute prospective payment rates for pacemaker surgeries contained errors, including the use of unaudited hospital cost reports and classification of pacemaker cases under the wrong diagnostic-related groups (DRG). In addition, GAO stated that HHS may need to: (1) establish separate DRG for procedures involving dual-chamber pacemakers and guidance for the appropriate use of such pacemakers; and (2) require that all explanted pacemakers be returned to their manufacturers for testing.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should require: (1) hospitals to return all explanted pacemakers and leads to the manufacturers; (2) require the manufacturers to test all returned pacemakers and leads; and (3) require the manufacturers to report the results of the tests to the hospitals. This would provide the information necessary to determine the extent to which warranty credits are being issued.

Status: Action in process. HHS stated that, before requiring testing of explanted pacemakers, it wanted to obtain data through its pacemaker registry to ensure that testing is required only when meaningful data will be obtained.

Recommendation: The Secretary of Health and Human Services should use the information obtained through implementation of the recommendation concerning the return to the manufacturer of explanted pacemakers to ensure that Medicare benefits when warranty credits are issued.

Status: Action in process. HHS stated that it is looking at its legislative authority to recoup warranty payments.

Recommendation: The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration (HCFA), when updating pacemaker DRG rates, to use data that are as current as possible to reflect the improved efficiency that should result from the incentives toward prudent pacemaker purchasing under Medicare's PPS.

Status: Action in process. HHS agreed with this recommendation, and stated that it intends to use 1984 data to develop pacemaker DRG payment rates.

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to determine if the increased use of dual-chamber pacemakers, to the extent justified by medical necessity, warrants establishing separate DRG's for them.

Status: Action in process. HHS stated that it is considering development of a mechanism to identify dual chamber pacemakers in the Medicare billing system to facilitate analysis of this recommendation.

Health Care Services

Medicaid Overpayments Made to Hawaii Should Be Disallowed

HRD-85-47, 03/20/85

Background

GAO reviewed Hawaii Medicaid operations to determine if federal Medicaid funds were properly used as a secondary resource to pay for medical costs that resulted from motor vehicle accidents.

Findings

GAO found that: (1) Hawaii did not always follow federal statutory requirements to use other insurance available to Medicaid recipients before Medicaid; (2) under its no-fault motor vehicle insurance law, Hawaii allowed insurers to exclude medical coverage for Medicaid recipients, who in certain circumstances, were injured while driving their vehicles; and (3) when the coverage for Medicaid recipients was not excluded, Hawaii was not actively pursuing collections from the no-fault insurers. GAO estimated that, during fiscal years 1982 to 1984, Hawaii paid about $1.4 million in federal funds for health services that it would not have paid if it had followed Medicaid's third-party liability provisions.

Open Recommendations to Agencies

Recommendation: The Administrator of the Health Care Financing Administration (HCFA) should recoup the federal portion of Medicaid payments for which Hawaii did not treat Medicaid as secondary payer and disallow future Medicaid claims of this nature.

Status: Action in process. HCFA notified Hawaii that its no-fault insurance statute does not comply with the law and requested a corrective action plan. In December 1986, HCFA conducted an audit to determine the amount of federal funds to disallow. No overpayments were recovered because Hawaii is contesting the disallowances.

Health Care Services

Procedures for Avoiding Excessive Rental Payments for Durable Medical Equipment Under Medicare Should Be Modified

HRD-85-35, 07/30/85

Background

Pursuant to a congressional request, GAO evaluated the probable effects of implementing certain Department of Health and Human Services (HHS) procedures for avoiding excess rental payments on durable medical equipment under Medicare. HHS prepared instructions which stated that Medicare would pay for all low-priced medical equipment on a purchase basis and high-priced equipment on a purchase basis if the expected duration of need showed that purchase was less costly than rental. However, the effects of the instructions were uncertain because of two conflicting studies on the implementation of the procedures.

Findings

GAO found that the primary difference between the studies was in the length of time that a beneficiary rented a piece of equipment. Under the current instructions, if all low-cost items were reimbursed on a purchase basis, there would be a reduction of 21 percent in the allowable costs, compared with the 15-percent increase in costs reported in the HHS grantee study. GAO also found that HHS could increase its savings if it allowed beneficiaries 1 month's rent before limiting reimbursement to the purchase price. Although excess rentals were a large portion of the total allowed charges for high-cost equipment, there were insufficient data to reliably predict when purchasing would be less costly than renting. GAO generally agreed with the grantee's conclusion that the probability of savings from implementation of the existing instructions for high-cost items would be uncertain. Because GAO believed that the problem needed more attention, it simulated the potential savings of several alternative solutions that did not require the use of medical necessity forms to reduce the excess charges and found that the best approach would be to put a cap on the amount of equipment rental payments; however, the disadvantage to this approach would be that medical suppliers would have to agree to accept whatever percentage was adopted. Presently, Medicare does not require that suppliers accept Medicare payment rates and, without an amendment to the law, suppliers could charge beneficiaries for any difference between the cap and the total rental charges as long as the equipment was needed.

Open Recommendations to Congress

Recommendation: The Senate Committee on Finance should consider whether a legislative change is warranted that would limit rental allowances for high-cost durable medical equipment items to a specific percentage in excess of the purchase price. Such a change would provide that Medicare rental payments for high-cost durable medical equipment may be made only on the basis of an assignment where the supplier agrees to accept the Medicare allowances and related limitations.
Status: Action in process.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to modify the December 1984 instructions dealing with the reimbursement of low-cost durable medical equipment items on a purchase basis to provide for a 1-month waiting period and that such modified instructions be implemented.
Status: Recommendation valid/action not intended. In its comments on the report, HHS gave the same reasons for disagreeing with this recommendation as it gave in commenting on the draft report. GAO disagrees with the HHS position. HHS stated that it is studying rental/purchase patterns to see if savings can be obtained.

Health Care Services

Medicare: Past Overuse of Intensive Care Services Inflates Hospital Payments

HRD-86-25, 03/07/86

Background

GAO analyzed the changes in intensive care units (ICU) since the implementation of the Medicare prospective payment system (PPS) in order to: (1) estimate the extent to which, prior to PPS, Medicare patients received ICU services when less costly routine care would have been a feasible option; (2) determine whether hospital practices regarding the use of ICU services changed after PPS; and (3) ensure that changes in such utilization are reflected in Medicare payment rates.

Findings

GAO found that 23 percent of the Medicare ICU patients reviewed were at low risk of needing a treatment provided in an ICU and did not receive such treatment during their ICU stay. In 21 diagnosis-related groups, an average 1.1 percent of costs of care reflected the extra expense of treating low-risk patients in ICU, or an increase of about $3.2 million in the Medicare cost base. GAO noted that situations affecting medical practices that contributed to avoidable ICU admission and changing hospital practices and attitudes indicated that PPS was meeting a major objective of encouraging hospitals to operate more efficiently. Hospital officials attributed improvements to physician awareness and the fact that they were responding to anticipated pressures for improved efficiency under PPS. Medicare requires that PPS rates reflect the costs necessary for the efficient and effective delivery of medically appropriate and necessary care of high quality; however, the data used to set the rates include the costs of unnecessary services. The costs, therefore, of providing appropriate medical services economically and efficiently are overstated. As long as the data base remains inflated, Medicare's PPS rates will remain high.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should revise prospective payment rates to base them on 1984 or later cost data, which reflect hospital behavior under PPS.
Status: Action taken not fully responsive. PROPAC estimated that overall, PPS rates in 1987 were 12.3-percent above a rate based on actual costs of the first full year of PPS implementation. Even after allowing the hospitals to keep 4 percent of these savings and adjusting for past reductions, PROPAC recommended a 5.4-percent reduction in rates for 1988. HCFA rejected this recommendation.

Health Care Services

Medicaid: Methods for Setting Nursing Home Rates Should Be Improved

HRD-86-26, 05/09/86

Background

GAO reviewed seven states' prospective payment systems, which provide nursing homes with incentives to reduce costs without adversely affecting the quality of health care, to identify weaknesses in each phase of the ratesetting process.

Findings

GAO found that: (1) allowable base costs were too high because the seven states did not always establish specific written criteria limiting allowable costs; (2) states did not perform adequate studies to ensure that subgroups reflected legitimate differences in the costs of operating nursing homes; (3) inflation indices did not accurately measure

inflation within the nursing home industry; and (4) states did not perform studies to ensure that established cost ceilings would maximize nursing homes' incentives to contain costs without jeopardizing quality care. GAO also found that: (1) the Department of Health and Human Services (HHS) did not publish regulations implementing the Deficit Reduction Act which enabled the Health Care Financing Administration (HCFA) and the states to better control cost increases resulting from the sale of a nursing home; and (2) although HHS regulations require states to submit assurances that their Medicaid reimbursement rates are reasonable and adequate, HCFA has not established adequate guidelines to review the basis for state assurances.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should publish regulations to implement the provisions of the Deficit Reduction Act of 1984 relating to the effects of nursing home sales on allowable property costs and provide technical assistance to the states in developing or revising prospective payment systems.
Status: Action in process. HHS anticipates publication of a Notice of Proposed Rulemaking.

Health Care Services

Medicare: Issues Raised by Florida Health Maintenance Organization Demonstrations

HRD-86-97, 07/16/86

Background

GAO reviewed Medicare's health maintenance organizations (HMO) program to determine: (1) the adequacy of financial and quality-of-care safeguards for Medicare beneficiaries; (2) the reasonableness of Medicare payments to HMO; and (3) the effectiveness of Department of Health and Human Services (HHS) oversight.

Findings

GAO determined that: (1) in network-type HMO, the beneficiary protections concerning HMO financial solvency and enrollment, were substantially limited since they delivered many services through subcontractors; (2) although the subcontractors assumed most HMO financial risk, the legislative safeguards did not apply to them and they received little federal or state oversight; and (3) Medicare's payments to HMO were too high because the program did not adjust rates for enrollees' health status. GAO found that: (1) HMO enrollees were healthier than the average beneficiary, as measured by mortality rates; (2) HMO enrollees generally would need less medical care and cost HMO less overall; and (3) the HMO program is unlikely to achieve the intended Medicare saving. GAO also found that no Florida HMO were fully complying with federal requirements to inform Medicare enrollees of their rights to grieve and appeal denied claims or services.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should issue regulations specifying standards for financial solvency and enrollment that HMO must require of those subcontractors, such as International Medical Centers, Inc.-affiliated providers, that bear substantial risk, particularly for services provided by others. At a minimum, the Secretary of Health and Human Services should require that an HMO contract with such risk-bearing affiliates provide HMO with annual audited financial statements for their use in managing the affiliates and assessing their own financial condition. Furthermore, these data should be made available to HHS upon its request for use in making qualification and compliance determinations related to the financial status of HMO and their affiliates.
Status: Recommendation valid/action not intended. HHS disagreed with this recommendation, stating that it had sufficient existing authority to terminate HMO that do not meet financial solvency requirements. GAO continues to believe that the recommended actions would enable HHS to better monitor HMO and better protect Medicare beneficiaries.

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to

reduce HMO payment rates to more accurately account for the health status of HMO enrollees, because the methodology used by HCFA to pay risk-based HMO currently overpays them on average.
Status: Recommendation valid/action not intended. HHS took exception to the GAO methodology as the basis for disagreeing. While the GAO methodology was not sufficient to decrease payment rates, it did strongly indicate rates were too high. HHS should determine the proper level of reduction.

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to consider the feasibility of reducing the adjusted average per capita cost administrative cost-loading factor to account for paying agents' continued involvement in processing HMO enrollee claims.
Status: Recommendation valid/action not intended. In commenting on the draft report, HHS disagreed with this recommendation.

Recommendation: The Secretary of Health and Human Services should require the Administrator, HCFA, to provide policy guidance to Tax Equity and Fiscal Responsibility Act HMO on marketing activities similar to the guidance furnished to the demonstration HMO's in February 1984.
Status: Action taken not fully responsive. HHS did not take a clear position on this recommendation.

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to develop an HMO timeliness-of-payment standard either through regulations or by including it as a standard item in all Medicare HMO contracts.
Status: Action in process. HHS is developing timeliness standards for inclusion in HMO contracts.

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to collect from HMO payments due for administrative costs under the option B agreements because the intermediaries processed the claims.
Status: Action in process. HHS developed a methodology for implementing this recommendation and is in the process of implementing it.

Health Care Services

Medicare: Alternatives for Paying Hospital Capital Costs

HRD-86-93, 08/11/86

Background

In response to a congressional request, GAO reported on the Department of Health and Human Services' (HHS) methods for including capital costs related to inpatient services in Medicare's Prospective Payment System or for modifying the current cost-reimbursement system, specifically: (1) the general principles involved with prospective payment of capital costs; (2) the effects of various types of proposals on hospitals; and (3) alternatives that might lessen any potential adverse effects.

Findings

GAO found that Medicare's capital cost-reimbursement method provides several incentives that could result in increased program costs. The cost-reimbursement method provides incentives to: (1) substitute capital for labor; (2) borrow to acquire assets, rather than using equity sources; (3) acquire new equipment, even though it may be only marginally needed; and (4) refinance debt. Cost reimbursement: (1) would increase incentives for efficiency, since it implies regulation; and (2) guarantees that Medicare will pay its share of each hospital's capital costs for providing care to beneficiaries, thus ensuring that beneficiaries have access to quality health care. However, GAO found that prospective payment of capital costs would reduce or eliminate the incentives under cost reimbursement, thereby decreasing Medicare costs. Advantages to the prospective program are that it would: (1) treat labor and capital equally; (2) encourage the most economical mix of debt and equity; and (3) encourage reductions of current hospital excess capacity and proper future sizing. Under the prospective payment program: (1) efficient hospitals would be rewarded more; (2) hospitals would receive less than their actual costs during the first years of an asset's useful life and more than their actual costs in later years; and (3) some hospitals would receive higher payments, depending on their average costs and occupancy rates.

Since the system has not been tested, the long-term effect on hospitals' ability to raise capital improvement funds cannot be predicted.

Open Recommendations to Congress

Recommendation: To lessen the immediate effects of prospective capital payment on hospitals, the House Ways and Means Committee's Health Subcommittee may wish to consider alternatives to the HHS proposal, including: (1) using a long transition period to full prospective capital payment to lessen the immediate effect on individual hospitals, identify emerging problems, and make adjustments if necessary; (2) initially covering only movable equipment under a prospective capital payment system, which also would lessen the effect on individual hospitals, permit HHS to gain experience with prospective capital payments, and provide information to be used in deciding whether to move to a total prospective payment system for capital costs; and (3) making changes to the current cost-reimbursement system to give hospitals greater incentives for efficiency similar to those of prospective capital payment. These changes could be targeted at perceived capital payment problems and therefore affect fewer hospitals.

Status: Action in process.

Health Care Services

Health Care: States Assume Leadership Role in Providing Emergency Medical Services

HRD-86-132, 09/30/86

Background

In response to a congressional request, GAO reviewed the status of emergency medical services programs in the United States, specifically: (1) the effect of the transition from federal to state leadership under the Preventive Health and Health Services block grant on local emergency medical services; and (2) the significant issues and barriers affecting the appropriate and timely delivery of local emergency medical services.

Findings

GAO reviewed six states' practices and found that: (1) states have taken more control of financing and regulating the local delivery of emergency medical services; (2) states have increased funding for emergency medical services by 28 percent since 1983; (3) states could better coordinate their federal highway safety funds with their overall emergency medical services strategies; (4) more than 50 percent of the nation does not have access to the emergency telephone number 911 because of high installation and operating costs and local ambulance services' reluctance to join an areawide telephone receiving system, resulting in less timely delivery of emergency services; (5) many rural areas lack advanced life support ambulance services; (6) many states do not have specialized trauma centers; and (7) because trauma centers treat a disproportionate share of severe cases, the averaging aspect of payment under Medicare's diagnosis-related groups (DRG) method may not adequately compensate them. GAO believes Congress should: (1) promote broader 911 coverage by implementing a federal loan program to finance 911 start-up costs and permitting existing loan funds to be used by local governments for 911 implementation; and (2) permit local areas to replace outmoded communications equipment using block grant funds.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Health Care Financing Administration (HCFA), as part of its continuing assessment of DRG, to determine whether they have an adverse financial impact on trauma centers. The results of this analysis should be considered along with other factors in assessing the need for a change in the trauma-related DRG payment rates. The Secretary should also direct HCFA to determine whether Medicaid reimbursement rates set by the states have an adverse financial effect on trauma centers as part of its review of each state's reimbursement criteria and methods.

Status: Action in process. The Department of Health and Human Services (HHS) plans to address trauma center issues in the context of broader specialty center issues. In this regard,

HHS has instituted several processes for analysis of potential improvement in DRG classification. Also, it may include trauma centers in future research, and it may deal with trauma DRG in reports to Congress on DRG refinement and outlines.

Health Care Services

Medicare: Need To Strengthen Home Health Care Payment Controls and Address Unmet Needs

HRD-87-9, 12/02/86

Background

Pursuant to a congressional request, GAO provided information on the Medicare home health program, specifically: (1) the status of efforts to strengthen internal controls to prevent payment for services Medicare does not cover; and (2) how many chronically ill elderly persons have home care needs that Medicare and other providers do not meet.

Findings

GAO found that: (1) material weaknesses in internal controls over payments for Medicare home health services resulted in improper payments of almost $600 million in fiscal year 1984; (2) the Department of Health and Human Services (HHS) has been slow to implement changes to strengthen management controls in response to 1981 GAO recommendations; (3) HHS needs to better explain what services Medicare covers and how to review payment claims to identify noncovered services; (4) HHS needs to make intermediaries more accountable for their payment decisions and strengthen sanctions against home health agencies that consistently abuse the program; (5) HHS has not evaluated available data to determine what effect stronger controls would have on unmet needs for home care assistance; and (6) in 1982, about 168,000 of the chronically ill elderly lacked needed assistance with such daily living activities as bathing, dressing, and eating, while about 1.1 million lacked assistance with such key day-to-day activities as grocery shopping and transportation. GAO also found that, to meet the home care needs of the elderly population: (1) HHS could expand its Medicare, Medicaid, and private health insurance coverage; (2) the government could provide tax incentives to encourage families and friends to provide care; and (3) the government could provide additional funds under block grants to encourage expansion of community-based services.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration (HCFA) to implement the recommendations in the 1981 GAO report to develop national prepayment utilization review screens for home health and clarify coverage criteria.
Status: Action not yet initiated.

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to revise the home health postpayment utilization review program guidance to require intermediaries to use statistically valid sampling techniques for identifying and projecting the amount of noncovered care to the universe of claims paid.
Status: Action not yet initiated.

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to expand the assessment of intermediary performance under the contractor performance evaluation program to include an assessment of the accuracy of intermediary home health coverage determinations.
Status: Action not yet initiated.

Recommendation: The Secretary of Health and Human Services should do further studies to evaluate factors contributing to unmet needs for home care assistance and options for meeting the future home care needs of the elderly.
Status: Action not yet initiated.

Recommendation: The Secretary of Health and Human Services should include the internal control weaknesses in the Medicare home health program in the next annual report under the Federal Managers' Financial Integrity Act (FIA) and set a timetable for

completing actions to correct the deficiencies.
Status: Action not yet initiated.

Recommendation: The Secretary of Health and Human Services should identify the limited assessment of the appropriateness of intermediaries' home health payment decisions as a material internal control weakness in the annual report under FIA and establish a timetable for prompt corrective action.
Status: Action not yet initiated.

Health Care Services

Medicare: More Hospital Costs Should Be Paid by Other Insurers

HRD-87-43, 01/29/87

Background

In response to a congressional request, GAO provided information on whether the Department of Health and Human Services (HHS) could improve existing policies and procedures for identifying and billing insurers covering Medicare beneficiaries, which should pay medical claims before Medicare does.

Findings

GAO found that: (1) in 1985, Medicare paid $527 million in hospital costs that other insurers should have covered; (2) hospitals often gathered insufficient information about other insurance resources or billed Medicare even when they identified other insurance; (3) the six hospitals that GAO studied identified and billed primary insurance in only 17 percent of the cases where patients indicated that they had primary insurance coverage for the admission; (4) intermediaries had little incentive to increase training, monitoring, and auditing of hospitals to improve their performance in identifying and billing other insurers; (5) some employers were enrolling Medicare beneficiaries inappropriately in group insurance that treated Medicare as the primary payer; and (6) there is no federal requirement for attorneys or insurers to report actions taken to recover accidental damages for Medicare beneficiaries.

Open Recommendations to Congress

Recommendation: Congress should consider enacting one of two alternatives. Congress could: (1) statutorily direct the Equal Employment Opportunity Commission (EEOC) to promulgate the regulations that it envisioned when it enacted section 4(g) of the Age Discrimination in Employment Act (ADEA); or (2) amend the Internal Revenue Code to deny employers a deduction for health insurance premiums or impose a tax on such premiums if the policies provided by the employers do not meet the requirements of the Medicare secondary payer (MSP) provisions for aged beneficiaries.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Administrator, Health Care Financing Administration (HCFA), to revise its Contractor Performance Evaluation Program (CPEP) standards to provide the intermediaries with the needed incentives to improve hospital performance in identifying and billing other insurers. To do this, HCFA should increase current savings standards to dollar amounts that intermediaries could not meet without significantly improving hospital performance.
Status: Action in process. HHS agreed in principle with this recommendation and plans to increase the goals as it obtains more state-specific information to set appropriate state MSP goals.

Recommendation: The Secretary of Health and Human Services should amend regulations implementing provisions of the Social Security Act to: (1) extend the Medicare secondary payer provisions of the law to all forms of no-fault insurance coverage; and (2) require that accident insurers notify Medicare of medical payments or other settlements in instances in which it has reason to believe Medicare has an actual or possible right of recovery.
Status: Action in process. HHS is in the process of revising the regulations.

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to: (1) enter into a memorandum of understanding with EEOC on the type of

cases to be referred; and (2) establish procedures for identifying and referring potential violations of provisions of ADEA to EEOC. This can be done, for example, by establishing procedures for monitoring intermediary and regional office case follow-up and referral actions.
Status: Action in process. HHS is continuing to negotiate with EEOC about these issues.

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to revise CPEP standards to provide the intermediaries with the needed incentives to improve hospital performance in identifying and billing other insurers. To do this, HCFA should establish new administrative requirements that would direct intermediaries to perform certain oversight and administrative tasks necessary to improve hospital performance in billing Medicare as primary payer.
Status: Action taken not fully responsive. HHS does not plan to revise CPEP, as recommended. Instead, it instructed contractors to expand the number of hospital MSP audits.

Health Care Services

Medicaid: Lessons Learned From Arizona's Prepaid Program

HRD-87-14, 03/06/87

Background

GAO reviewed the first 3 years of the Arizona Health Care Cost Containment System's (AHCCCS) operation to examine Arizona's approach to: (1) competitive bidding for procuring health plan contracts; (2) collection of utilization data from prepaid plans on the health care services provided; and (3) financial oversight of prepaid health plans.

Findings

GAO found that portions of the AHCCCS procurement design conflicted with its objective of demonstrating the cost-effectiveness of competitive bidding for prepaid capitated contracts because: (1) AHCCCS awarded more contracts than necessary to serve Medicaid recipients, decreasing competitiveness among bidders; (2) limited local cost and utilization data increased bidders' risks; and (3) state statutes forced AHCCCS to substitute a voluntary price reduction method after publicizing bids, which may have resulted in less competition. GAO observed that AHCCCS: (1) had difficulty in collecting utilization data; (2) did not have sufficient time to develop adequate financial and utilization reporting systems; (3) did not evaluate health plans' abilities to collect complete and reliable cost and utilization data before awarding contracts; and (4) established financial penalties to enforce reporting requirements. GAO also found that the Health Care Financing Administration (HCFA) and Arizona did not provide adequate financial oversight in the first few years of AHCCCS and, as a result, AHCCCS plans neither complied with federal disclosure requirements nor filed state-mandated financial reports.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should, in establishing regulations to implement the preapproval provisions of the Omnibus Budget Reconciliation Act of 1986, develop criteria to be used in evaluating the adequacy of price competition and the reasonableness of contract prices.
Status: Action taken not fully responsive. HHS agreed that fostering price competition is important and it should develop criteria for evaluating the adequacy of procurement systems, but did not agree that limits were needed on the number of contracts awarded in order to foster price competition.

Recommendation: The Secretary of Health and Human Services should develop guidelines for reviewing contracts that provide for an assessment of, among other things, whether the Medicaid agency has: (1) adequately specified utilization and data reporting requirements; (2) evaluated prepaid health plans' capabilities to produce timely and accurate utilization data; (3) established procedures for providing technical assistance to health plans in meeting reporting requirements; (4) established adequate penalties for noncompliance with the reporting requirements; (5) specified routine financial reporting and disclosure

requirements in the contract; (6) reviewed the financial qualifications of the proposed contractors; and (7) determined that federal financial disclosure requirements have been met.

In addition, the guidelines should condition renewal or extension of contracts on adequate financial oversight of the contractors by the state Medicaid agency.

Status: Action taken not fully responsive. HHS indicated that it has no plans to implement this recommendation.

Health Care Services

Medicaid: Addressing the Needs of Mentally Retarded Nursing Home Residents

HRD-87-77, 04/15/87

Background

GAO examined the services provided to mentally retarded nursing home residents through Medicaid in five states to determine if they were complying with Department of Health and Human Services (HHS) requirements for: (1) speech, occupational, and physical therapy; (2) training in personal care skills; and (3) training in community living skills.

Findings

GAO found that: (1) management controls were inadequate because Medicaid regulations to ensure active treatment and services for normal individuals admitted to a nursing home facility did not exist for retarded persons; (2) at some facilities, plans of care did not adequately address active treatment and developmental and behavioral needs for retarded residents; (3) in some instances, state inspections of nursing home facilities were inadequate, since they did not assess the adequacy of the services provided to retarded residents; and (4) since Medicaid agencies in three states failed to consult with their state retardation agencies, the retardation agencies were unaware of 1,477 of the 2,238 retarded nursing home residents that GAO identified.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration (HCFA) to require states that have not already done so to identify the mentally retarded currently in nursing homes, assess their active treatment needs, and develop programs to meet their needs.
Status: Action taken not fully responsive. HHS plans to revise regulations to prevent future placements of retarded individuals in nursing homes, but plans to rely on existing mechanisms, which GAO stated were not working, to deal with those individuals already in nursing homes.

Recommendation: The Secretary of Health and Human Services should revise Medicaid regulations to require: (1) nursing homes to specifically address active treatment in plans of care for their retarded residents; (2) inspection-of-care teams to assess the active treatment needs and services of mentally retarded nursing home residents; (3) states to include a staff member trained in mental retardation on inspection-of-care teams when a nursing home has retarded residents; (4) states to develop written procedures outlining the role of nursing homes in the state's program for the mentally retarded; and (5) states to have the state retardation agency assess the active treatment needs of the mentally retarded and the appropriateness of their nursing home placement.
Status: Action in process. HHS is currently revising Medicaid and Medicare regulations to implement the recommendations. In addition, legislation is pending which would require an assessment of each retarded resident.

Health Care Services

Medicaid: Determining Cost-Effectiveness of Home and Community-Based Services

HRD-87-61, 04/28/87

Background

GAO reviewed states' reports on Medicaid home- and community-based service (HCBS) programs to determine whether the Health Care Financing Administration (HCFA) was collecting accurate and useful information on HCBS programs. HCFA collects the data to ensure that the cost of Medicaid HCBS programs does not exceed the estimated cost of providing nursing home care to HCBS recipients.

Findings

GAO found that: (1) HCFA believed that the majority of state reports were neither accurate nor useful for assessing cost-effectiveness; (2) HCFA gave states inconsistent guidance on reporting HCBS costs; (3) states varied in their interpretations of Medicaid requirements; and (4) HCFA attributed problems to its delays in specifying reporting requirements and to states' problems with HCFA guidance and with systems and procedures development. GAO also found that HCFA: (1) revised the HCBS reporting requirements in 1986; (2) believes that the new data will be more accurate and useful; and (3) will evaluate the systems states use to produce their reports. In addition, GAO found that HCFA: (1) needs to evaluate more than comparative costs, because HCBS programs sometimes supplement, rather than replace, Medicaid nursing home care; and (2) does not know the extent to which HCBS programs replace, or merely supplement Medicaid nursing home care.

Open Recommendations to Agencies

Recommendation: The Administrator, HCFA, should develop measures of HCBS programs' ability to prevent or postpone nursing home care and use these measures to evaluate the cost-effectiveness of the waiver programs.
Status: Recommendation valid/action not intended. HCFA agreed that HCBS services cannot be effectively targeted, but stated that its current review and waiver approval process are adequate to ensure cost-effectiveness.

Health Care Services

Medical Malpractice: A Framework for Action

HRD-87-73, 05/20/87

Background

In response to a congressional request, GAO assessed the problems relating to increases in the cost of medical malpractice insurance in recent years, focusing on: (1) states' attempts to deal with the problems; and (2) possible state and federal actions.

Findings

GAO found that, although it could not identify an obvious cause for the increase in malpractice insurance or any specific ways to prevent further increases, states could attempt to reduce insurance costs by: (1) requiring health care providers to participate in risk management programs as a condition of state licensing; (2) ensuring that physicians and other health care practitioners receive adequate training, supervision, and discipline from appropriate professional and state agencies; (3) determining if the information states use in making decisions concerning rates and solvency is sufficient; (4) educating patients as to what they should realistically expect from their health care; and (5) determining appropriate changes in state tort laws or developing viable alternatives to the tort system to improve the resolution of malpractice

claims. GAO believes that, before implementing tort reform, states and the federal government must judge whether present compensation and penalties are inordinate or just.

Open Recommendations to Congress

Recommendation: To reduce the incidence of medical malpractice through improved delivery of medical care, cognizant congressional committees should conduct periodic oversight hearings to determine the progress the Department of Health and Human Services, the states, and appropriate medical groups are making in: (1) implementing the provisions of the Health Care Quality Improvement Act of 1986; and (2) using the information reported in the act to better assess the quality of care provided by health care practitioners.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: To reduce the incidence of medical malpractice through improved delivery of medical care, the Secretary of Health and Human Services should aggressively implement the provisions of the Health Care Quality Improvement Act of 1986 by developing a timely and effective system for making information about the competence or professional conduct of physicians and other practitioners available to hospitals, state licensing boards, and other health care entities.
Status: Action in process. HHS is drafting implementing regulations; however, implementation was delayed due to the failure of Congress to appropriate funds necessary to establish a data base.

Recommendation: To develop realistic consumer expectations regarding the potential risks of medical care, the Secretary of Health and Human Services should take the lead and work with the medical profession through various professional organizations (such as the American Medical Association, the American Hospital Association, and physician specialty boards and societies) to initiate major efforts to: (1) educate the public as to what to realistically expect from the health care system; and (2) stress to physicians the need to fully communicate to the patient the potential risks associated with medical treatment.
Status: Action not yet initiated. HHS agreed with the need for such programs and will examine how it may assist the professions in developing them.

Recommendation: The Secretary of Health and Human Services and the Attorney General should take the lead in working with states and affected interest groups to evaluate the merits of individual tort reforms and develop model laws that the states could enact. The following tort reforms and their benefits and trade-offs should be carefully considered for inclusion in these model laws: (1) a shortened statute of limitations applicable to adults and minors for filing malpractice claims; (2) revised joint and several liability laws to require that provider damages be proportionate to degree of responsibility for the injury; (3) limits on fees for the plaintiff's lawyer through use of sliding fee schedules; (4) mandatory reductions of awards by amounts paid by collateral sources; (5) requirements that awards covering large future economic losses be made on a periodic basis; and (6) reasonable caps on noneconomic losses.
Addressee: Department of Health and Human Services
Status: Action not yet initiated. HHS and Justice will work through the federal government's Tort Policy Working Group to develop model legislation. Action will be taken as part of the ongoing work of the Tort Policy Working Group. No specific initiation or conclusion dates given.
Addressee: Department of Justice
Status: Action not yet initiated. HHS and Justice will work through the federal government's Tort Policy Working Group to develop model legislation. Action will be taken as part of the ongoing work of the Tort Policy Working Group. No specific initiation or conclusion dates given.

Recommendation: To encourage increased experimentation with various alternative dispute resolution mechanisms for medical malpractice claims, the Secretary of Health and Human Services should fund a series of demonstration projects designed to test the efficiency and efficacy of various dispute resolution mechanisms, including mediation, pretrial screening panels, use of arbitration, and no-fault compensation programs.
Status: Action not yet initiated. HHS will examine how it may assist in the testing of alternative dispute resolution mechanisms.

Health Care Services

DOD Health Care: Better Use of Malpractice Data Could Help Improve Quality of Care

HRD-87-30, 06/04/87

Background

Pursuant to a congressional request, GAO reviewed how the Department of Defense (DOD) utilizes medical malpractice information to improve the quality of medical care and reduce the risk of malpractice.

Findings

GAO found that: (1) although DOD collected some data on malpractice claims, the data did not include information on potential claims or specific providers responsible for inadequate care necessary to identify patterns of recurring medical problems; (2) DOD did not systematically provide malpractice information or educational case studies to the services for quality assurance or risk management purposes; (3) service regulations varied concerning the definition of a potential claim; (4) DOD did not investigate all potential malpractice claims; and (5) DOD needed a centralized system to collect and analyze known medical care problems and focus attention on corrective and preventive actions.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Assistant Secretary of Health Affairs, in conjunction with the service secretaries, to develop a DOD-wide system for collecting medical information from investigations of malpractice incidents, both potential and actual claims. The system should provide for: (1) tracking and analysis of data on malpractice incidents to identify patterns of problems, including identifying providers responsible for malpractice or substandard care; (2) further investigation to determine whether poor medical care is given; (3) follow-up to ensure that corrective and preventive action is taken; and (4) dissemination of statistical and educational information to the three service medical commands and medical facilities.
Status: Action in process. Estimated completion date: 10/88. DOD is installing new quality assurance computer systems in all hospitals. DOD intends to collect data from hospitals concerning claims and potential claims.

Recommendation: To better ensure that complete information about provider responsibility is included in the system, the Secretary of Defense should direct the service secretaries to ensure that investigations of malpractice incidents clearly identify providers found responsible for malpractice or substandard care.
Status: Action in process. Estimated completion date: 10/88. DOD has a proposed instruction requiring identification of responsible providers where claims are filed. The response does not address potential claims.

Recommendation: The Secretary of Defense should direct the Assistant Secretary for Health Affairs to participate fully in the provider tracking system required by Public Law 99-660.
Status: Action in process. Estimated completion date: 10/88. DOD intends to participate in the system. The Department of Health and Human Services has not yet implemented P.L. 99-660.

Recommendation: The Secretary of Defense should direct the Assistant Secretary for Health Affairs, in conjunction with the service secretaries, to establish a consistent definition of potential claims and consistent requirements for forwarding potential claims investigations to a central agency for inclusion in a centralized malpractice information system.
Status: Action in process. Estimated completion date: 10/88. DOD is developing a definition of a potential claim and a system for information to be reported centrally.

Recommendation: The Secretary of Defense should direct the service secretaries to issue regulations requiring that malpractice incidents involving active duty service members are investigated through the claims system in the same manner as incidents involving nonactive duty beneficiaries.
Status: Action in process. Estimated completion date: 10/88. DOD is developing guidance.

Recommendation: The Secretary of Defense should direct the service secretaries to issue regulations adopting the revised definition of potential claims and requirements for inclusion in the

centralized malpractice information system.
Status: Action in process. Estimated completion date: 10/88. DOD is developing guidance for implementation of the system.

Recommendation: The Secretary of Defense should direct the service secretaries to fully implement regulations requiring hospital reporting and claims service investigations of potential claims, once the definition of a potential claim is clarified.

Status: Action in process. Estimated completion date: 10/88. DOD is developing guidance for a central system. DOD will not require a claims service investigation of active duty incidents.

Health Care Services

Medicare: Rehabilitation Service Claims Paid Without Adequate Information

HRD-87-91, 07/09/87

Background

GAO reviewed the need to improve the processes Medicare intermediaries use to review claims for outpatient rehabilitation services.

Findings

GAO visited three Medicare claims-processing contractors and reviewed the documentation supporting the claims. GAO noted that the documentation necessary to establish initial eligibility for rehabilitation services included: (1) a medical history providing the basis for rehabilitation; (2) an evaluation of the beneficiary's condition; and (3) a treatment plan listing the therapy provided and its expected goals. However, GAO found that: (1) 29 percent of the 346 cases reviewed lacked a patient treatment plan, or a medical history; (2) documents were incomplete or unspecific; (3) claims-processing contractors paid $50.2 million in rehabilitation service charges over a 2-year period without sufficient documentation; and (4) in many of the cases and services that were insufficiently documented, beneficiaries were probably not eligible for coverage. GAO also found that the Health Care Financing Administration (HCFA) required that all claims receive a medical review to determine coverage and developed physical therapy guidelines to improve internal controls over outpatient rehabilitation payments.

Open Recommendations to Agencies

Recommendation: The Administrator, HCFA, after complying with the appropriate regulatory clearance process, should implement the physical therapy guidelines and utilization screens already developed and require intermediaries to apply them to rehabilitation physical therapy services provided in all outpatient settings, including comprehensive outpatient rehabilitation facilities.
Status: Action in process. HCFA stated that it has prepared the necessary clearance package and is awaiting Office of Management and Budget approval.

Recommendation: The Administrator, HCFA, should: (1) develop and implement guidelines that clearly identify the document types and contents needed by intermediaries to make appropriate Medicare coverage decisions for the other types of outpatient rehabilitation therapy services; and (2) require intermediaries to use the guidelines for reviewing providers' claims for rehabilitation services.
Status: Action in process. HCFA agreed with this recommendation and stated that it was refining the medical review criteria necessary to implement it.

Health Care Services

Medicare and Medicaid: Stronger Enforcement of Nursing Home Requirements Needed

HRD-87-113, 07/22/87

Background

In response to a congressional request, GAO investigated the enforcement of Medicare and Medicaid requirements for nursing homes, focusing on the: (1) extent and potential effect of repeated noncompliance; and (2) adequacy of enforcement actions taken by state and federal agencies.

Findings

GAO found that: (1) 3,372 of 8,298 certified skilled nursing facilities and 2,005 of 5,970 certified intermediate care facilities did not meet one or more of the requirements most likely to affect resident health and safety during three consecutive inspections; (2) 12 of 26 studied facilities corrected serious deficiencies which could have precluded continued participation in Medicare or Medicaid, while 3 were decertified; (3) 11 of the facilities had less serious deficiencies and continued participation in the programs without complying with requirements; and (4) inspection officials did not follow regulations requiring facilities to justify repeated noncompliance before recertification in many cases. GAO believes that, while termination is too severe a penalty for many deficiencies, such measures as civil monetary penalties and bans on new admissions may provide effective motivation for compliance.

Open Recommendations to Congress

Recommendation: Congress should amend title XIX of the Social Security Act to preclude nursing homes terminated from the Medicaid program from being readmitted to the program unless the state survey agency can establish that the deficiencies that led to termination have been removed, and it has reasonable assurance that they will not recur.
Status: Action not yet initiated.

Recommendation: Congress should enact legislation such as S.1108, H.R. 2270, or H.R. 2770, to give the Department of Health and Human Services and the states additional alternatives for enforcing compliance with nursing home requirements.
Status: Action in process.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should revise the repeat deficiency provisions of Medicare and Medicaid regulations to limit the use of decertification to those instances where a nursing home cannot adequately justify repeat deficiencies that seriously threaten patient health and safety.
Status: Action not yet initiated.

Recommendation: The Secretary of Health and Human Services should revise the repeat deficiency provisions of Medicare and Medicaid regulations to require nursing homes to justify all repeat deficiencies, including those reported at the element level or subsequently corrected.
Status: Action not yet initiated.

Recommendation: The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to encourage states to apply state licensing sanctions to nursing homes with repeat deficiencies that are not adequately justified.
Status: Action not yet initiated.

Health Care Services

Medicaid: Improvements Needed in Programs To Prevent Abuse

HRD-87-75, 09/01/87

Background

GAO reviewed Medicaid abuse in six states and provider abuse in four states to: (1) determine whether the states were effective in identifying Medicaid abuse; and (2) assess the extent of states' actions to apply sanctions against Medicaid abusers.

Findings

GAO found that: (1) the Department of Health and Human Services (HHS) has not taken effective action to strengthen management controls over states' postpayment utilization review programs; (2) some states do not effectively use their computerized management information systems to identify potential Medicaid abuse; (3) some states review only a small portion of the potentially abusive recipients they identify; (4) most states have applied few sanctions against abusive Medicaid recipients; and (5) the Health Care Financing Administration (HCFA) has adequate resources to provide technical assistance to states with problems in using their information systems.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should instruct the Administrator, HCFA, to require states to annually assess the extent of the recipient and provider abuse in the state using a set of HCFA-developed identification criteria.
Status: Action not yet initiated. HHS has not submitted its 60-day response.

Recommendation: The Secretary of Health and Human Services should instruct the Administrator, HCFA, to revise the Systems Performance Review to link a state's assessment of its potential abuse problems to the number of potential abusers that the state must review to meet review requirements.
Status: Action not yet initiated. HHS has not submitted its 60-day response.

Recommendation: The Secretary of Health and Human Services should revise the Systems Performance Review to include specific evaluations of how effectively states use the Surveillance and Utilization Review Subsystem (SURS) to identify potential abusers. Specifically, the review should determine if a state's screens and class groups are reasonable in view of the potential abuse identified in the annual assessment, and if parameters are reasonable in light of the review requirement.
Status: Action not yet initiated. HHS has not submitted its 60-day response.

Recommendation: The Secretary of Health and Human Services should instruct the Administrator, HCFA, to include in the Systems Performance Review guidelines a requirement to document: (1) technical problems the states are having using SURS to identify Medicaid abusers; and (2) successful SURS techniques developed by states to identify, review, or sanction Medicaid abusers.
Status: Action not yet initiated. HHS has not submitted its 60-day response.

Recommendation: The Secretary of Health and Human Services should instruct the Administrator, HCFA, to establish procedures to provide technical assistance to states experiencing problems using SURS and periodically identify, evaluate, and disseminate information on innovative SURS techniques to states for their consideration.
Status: Action not yet initiated. HHS has not submitted its 60-day response.

Recommendation: The Secretary of Health and Human Services should instruct the Administrator, HCFA, to collect annual data on program results to monitor states' utilization control programs and use those data in determining which states will be subject to Systems Performance Reviews, and as additional indicators of: (1) states needing technical assistance; and (2) states using successful SURS techniques.
Status: Action not yet initiated. HHS has not submitted its 60-day response.

Recommendation: The Secretary of Health and Human Services should instruct the Administrator, HCFA, to include Medicaid postpayment utilization review program deficiencies as material internal control weaknesses in the Federal Managers' Financial Integrity Act's reporting and tracking system.
Status: Action not yet initiated. HHS has not submitted its 60-day response.

Health Care Services

Medicare: Legislative Amendment Would Avoid Adverse Effects on Disabled Beneficiaries

HRD-87-135, 09/28/87

Background

GAO provided information on a Medicare amendment requiring certain employer-sponsored group health insurers that cover disabled beneficiaries to pay those beneficiaries' medical claims before Medicare, to determine whether the law applies to government-sponsored health plans.

Findings

GAO found that: (1) the Health Care Financing Administration believes that the law applies to government-sponsored plans; (2) administrators of federal, state, and local government-sponsored plans believe that it does not; (3) because of this disagreement, disabled beneficiaries with health coverage under Medicare and a government-sponsored plan could receive no payment for their claims; and (4) if the law does not apply to government-sponsored plans, projected Medicare savings will not be realized.

Open Recommendations to Congress

Recommendation: Congress should include in its fiscal year 1988 reconciliation bills an amendment to the Social Security Act so that there can be no doubt that Medicare is the secondary payer to government plans under section 1862(b)(4) to the same extent that the section applies to other health plans. This could be accomplished by adding the following underlined clause to section 1862(b)(4)(B)(i): "The term 'large group health plan' has the meaning given such term in section 5000(b) of the Internal Revenue Code of 1986, and includes government entities." This change would leave governmental entities exempt from any tax penalties for noncompliance. However, the plan would be treated similarly to nongovernmental plans in that it would still be subject to double damages if Medicare is not properly treated as the secondary payer.
Status: Action in process.

Health Care Services

Prenatal Care: Medicaid Recipients and Uninsured Women Obtain Insufficient Care

HRD-87-137, 09/30/87

Background

Pursuant to a congressional request, GAO investigated the extent to which Medicaid beneficiaries and uninsured women experience difficulties in obtaining access to prenatal care to determine the: (1) timing and number of their prenatal care visits; and (2) barriers they perceived as preventing them from obtaining care earlier or more often.

Findings

GAO found that: (1) 63 percent obtained insufficient prenatal care; (2) those women most likely to obtain insufficient care were uninsured, poorly educated, black or Hispanic teenagers, or women from large urban areas; (3) those most likely to obtain adequate care were well-educated, white, residing in rural communities, in their early 30's, or Medicaid recipients; (4) lack of money to pay for care, lack of transportation, and unawareness of the pregnancy prevented women from obtaining earlier or more frequent prenatal care; (5) there was little information on the effectiveness of states' and communities' initiatives for improving access to prenatal care; (6) 19 states expanded Medicaid eligibility to pregnant women, although none implemented presumptive eligibility; (7) if states expanded Medicaid coverage of pregnant women, reduced intensive care

and long-term institutional costs would offset initial costs; (8) increases in Medicaid reimbursement rates for maternity services would not improve access to care as much as expanding eligibility; and (9) states believed that Maternal and Child Health block grants were insufficient for needed prenatal services.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Administrator, Health Care Financing Administration (HCFA), to develop and provide to states data on the: (1) increased costs they would likely incur in expanding Medicaid eligibility to include pregnant women with incomes up to 100 percent of the federal poverty level; and (2) corresponding decrease in costs for newborn intensive care and long-term institutional care they could expect to result from improvements in prenatal care services.
Status: Action not yet initiated. The Department of Health and Human Services (HHS) has not commented on the report.

Recommendation: The Secretary of Health and Human Services should direct the Administrator, HCFA, to work with states to overcome the administrative problems that prevent them from adopting the presumptive eligibility provisions of the Omnibus Budget Reconciliation Act of 1986.
Status: Action not yet initiated. HHS has not commented on the report.

Recommendation: The Secretary of Health and Human Services should direct the Surgeon General to expand efforts to evaluate programs to improve access to prenatal care and disseminate the results of these evaluations through the National Maternal and Child Health Clearinghouse.
Status: Action not yet initiated. HHS has not commented on the report.

Recommendation: The Secretary of Health and Human Services should direct the Surgeon General to provide technical assistance to communities in developing comprehensive plans for identifying the most important barriers to care in the community and designing programs to help overcome those barriers.
Status: Action not yet initiated. HHS has not commented on the report.

Health Planning and Construction

VA Health Care: Too Many Operating Rooms Being Planned and Built

HRD-86-78, 04/29/86

Background

GAO examined the Veterans Administration's (VA) method for determining operating room requirements in new and replacement hospitals and identified the differences between VA-stated operating room needs and the requirements a GAO surgical work load model identified.

Findings

GAO found that VA is developing an operating room planning model at its Ann Arbor Medical Center which would permit planners to: (1) use independently established utilization rates for each facility instead of a more efficient agency-wide preestablished rate to plan operating room resources and staff; and (2) develop work-load projections to reflect possible changes in planning factors without central office guidance to ensure that projections are consistent, realistic, and in line with current or planned policy. GAO applied its model for determining VA operating room requirements to 24 construction projects and found that VA: (1) is building or plans to build 29 unnecessary operating rooms; (2) could have saved about $5.8 million by applying the GAO model; and (3) could still save about $3.4 million by eliminating 17 unnecessary planned operating rooms.

Open Recommendations to Agencies

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to instruct Ann Arbor project officials to develop a final model that will use a preestablished 80-percent utilization rate for determining the number of operating rooms.
Status: Recommendation valid/action not intended. VA does not believe that all facilities should be expected to have the same utilization rate. VA believes

that it is necessary to consider variable factors in determining utilization rates.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to give planners guidance on how to adjust work-load projections to reflect changes in the model's planning factors and monitor VA planners' calculations of projected work loads to ensure that adjustments are consistent with the guidance.
Status: Action not yet initiated. VA concurred with this recommendation and stated that appropriate changes to its criteria will be made based upon the final results of the planning model developed by the Ann Arbor project.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to stop using the current VA operating room planning criterion and use the GAO methodology to determine the required numbers of new or replacement operating rooms until the Ann Arbor model is implemented.
Status: Recommendation valid/action not intended. VA believes that the GAO model is outdated because it was developed, to a large degree, based on 1981 data. VA further believes that it would be better to implement a planning model which is based on current cost and work-load variables.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to reassess all existing construction projects to eliminate, where cost-effective, unnecessary operating rooms.
Status: Action not yet initiated. VA agreed with this recommendation and stated that all construction projects in the planning stage should be reassessed based on the new model.

Health Research

Medical Research: National Research Service Awards for Research in Primary Medical Care

HRD-87-20, 07/31/87

Background

In response to a congressional request, GAO reviewed the criteria used by the National Institutes of Health (NIH) to comply with a statutory requirement that it make available a specified percentage of National Research Service Awards (NRSA) for research in primary medical care.

Findings

GAO found that: (1) it was unable to conclude that either NIH or the Health Resources and Services Administration was better suited to administer NRSA; (2) in fiscal 1986, NIH awarded over $200 million in NRSA funds for research that it believed was related to primary care; and (3) NIH compliance and implementation was hampered by the lack of an accepted definition for research in primary medical care. GAO also found that NIH: (1) solicited applications in 1987 for research training in primary care disciplines without properly defining such research; and (2) usually required that trainees provide written assurance that they would pursue careers in primary medical care research and also required them to perform payback service in research areas of their choice.

Open Recommendations to Congress

Recommendation: Congress should consider amending the Public Health Service Act to define what constitutes research in primary medical care for purposes of implementing section 487(d)(3).
Status: Action not yet initiated.

Prevention and Control of Health Problems

Document Requests: Response Time to Congressional Committees Could Be Improved

HRD-87-45, 04/24/87

Background

Pursuant to a congressional request, GAO reviewed the Food and Drug Administration's (FDA) procedures for responding to congressional requests for FDA documents.

Findings

GAO found that: (1) the FDA Office of Legislative Affairs (OLA) handles most congressional document requests; (2) other FDA offices send requested documents to OLA for review; (3) OLA reviews the documents for sensitivity, then sends them, with a document listing, to the requester; (4) FDA took an average of 41 days to respond to document requests, an average of 34 days late; (5) FDA identified a number of reasons for the delays, including staff shortages, cumbersome procedures, and nonmandatory response target dates; and (6) OLA reviews documents for trade secrets, even when other FDA offices have already done so.

Open Recommendations to Agencies

Recommendation: FDA should provide written guidance to OLA and other FDA offices on their roles and responsibilities for responding to congressional committee requests for documents. Such guidance should include a requirement that two sets of copies of requested documents be made at the same time.
Status: Action in process. Draft guidelines were prepared and are being reviewed within FDA.

Recommendation: FDA should direct OLA to not delay providing documents to the requester due to reviewing and questioning trade-secret determinations made by the Centers.
Status: Recommendation valid/action not intended. FDA disagreed with this recommendation; however, the House Committee on Government Operations, Subcommittee on Human Resources and Intergovernmental Relations, asked the House Appropriations Committee to require that this recommendation be implemented.

Recommendation: FDA should require OLA to notify committees of reasons for delays, and attempt to negotiate a revised date when necessary. A record of these contacts should be made in OLA files, including agreements reached.
Status: Action in process. FDA instructed its legislative staff to negotiate new dates, when necessary, and is working on a new form for recording agreements reached.

Recommendation: FDA should require OLA to establish internal target dates for offices to meet in carrying out their responsibilities and require the Centers and other offices to either adhere to target dates or inform OLA of the reasons for any delays.
Status: Recommendation valid/action not intended. FDA disagreed with this recommendation; however, the House Committee on Government Operations, Subcommittee on Human Resources and Intergovernmental Relations, asked the House Appropriations Committee to require that this recommendation be implemented.

Recommendation: FDA should require OLA to release documents by the agreed-to due date in cases where documents would be delayed because the listing has not been completed. OLA should alert the committees and the ranking minority members that the listing is being prepared and will be provided later.
Status: Recommendation valid/action not intended. FDA disagreed with this recommendation; however, the House Committee on Government Operations, Subcommittee on Human Resources and Intergovernmental Relations, asked the House Appropriations Committee to require that this recommendation be implemented.

Federal Employee Retirement and Disability

Concerns About Controlling Union Employees' Benefit Funds by the Carpenters Collection Agency, Youngstown, OH

HRD-83-8, 11/12/82

Background

GAO was asked to examine: (1) the legality and functions of the Carpenters Central Collection and Administrative Agency (CCA), a nonprofit Ohio corporation that collects fringe benefit contributions from building trade employees; and (2) the timeliness and effectiveness of the Department of Labor's investigation and reporting of CCA activities.

Findings

GAO found that Labor did not take aggressive action to require Health and Welfare Fund trustees to correct Employee Retirement Income Security Act (ERISA) violations identified in its investigations of CCA activities. As a consequence, CCA has continued to control and use union employee fringe benefit funds in violation of ERISA provisions that are designed to prevent such abuses. CCA collects and controls union membership fringe benefit payments by employers, which may violate the Taft-Hartley Act, because it does not meet the statutory requirements of a Taft-Hartley trust; specifically, GAO is not aware of any written agreement between CCA and employers. CCA trustees represent only the employees and, therefore, employers and employees are not equally represented in the administration of CCA funds. In addition, the agreements between CCA and the employee benefit plans do not ensure that employee payments will be used for the sole and exclusive benefit of employees.

Open Recommendations to Agencies

Recommendation: If the Solicitor's Office determines that CCA is not a labor organization under the Labor-Management Retirement Disclosure Act (LMRDA) and CCA cannot be required to report through the administrative process, the Secretary of Labor should propose to Congress that the statutory definition of a labor organization be changed to include such entities as CCA.
Status: Action in process. Ohio State Council representatives had previously indicated that the Council might voluntarily file the CCA annual report with Labor, but now it has refused, believing that LMRDA does not apply to CCA. Labor stated that it is still not considered possible to secure passage of an amendment to LMRDA in the 100th Congress. It will explore the feasibility of such an amendment in the future.

Federal Employee Retirement and Disability

Noncash Benefits: Methodological Review of Experimental Valuation Methods Indicates Many Problems Remain

PEMD-87-23, 09/30/87

Background

In response to a congressional request: (1) GAO developed a general approach for assessing future proposed methods to change poverty indicators; and (2) applied its approach to one method the Census Bureau used to place cash value on noncash benefits.

Findings

The GAO assessment approach: (1) identified specific concerns within each method; (2) examined these concerns

using indicators, such as changes in the poverty rate; and (3) combined the results of these steps to form a final judgement. GAO applied this approach to the Bureau's market-value method and found that: (1) the Bureau's conceptual choices as to which benefits to include in the definition of income could affect the poverty rate by as much as 4.7 percent; (2) the Bureau's methodological choices in carrying out poverty calculations influenced the method's validity and the accuracy of its benefit values; and (3) overestimation of data quality problems caused flaws resulting in fluctuations in the poverty rate.

Open Recommendations to Agencies

Recommendation: The Secretary of Commerce should direct the Director of the Census Bureau to conduct a more comprehensive examination of the problems with the Bureau's valuation methods, especially those involving medical benefits, giving full consideration to the assessment approach GAO developed. The Bureau should fully disclose in its publications the magnitude of the effects of these problems.
Status: Action not yet initiated. Commerce has not had sufficient time to respond to the recommendation.

Food and Nutrition Assistance

Benefit Overpayments: Recoveries Could Be Increased in the Food Stamp and AFDC Programs

RCED-86-17, 03/14/86

Background

GAO reviewed the Food Stamp and Aid to Families with Dependent Children (AFDC) programs to: (1) examine how state and local collection offices use collection methods such as recoupment to recover overpayment claims; and (2) identify specific actions that would increase claims collections. The programs are operated by the Department of Agriculture's (USDA) Food and Nutrition Service (FNS) and the Department of Health and Human Services' (HHS) Office of Family Assistance (OFA), respectively.

Findings

GAO found that: (1) the procedures used to collect food stamp overpayment claims are generally more restrictive than those used for AFDC claims regarding when states may use recoupment; (2) while recoupment is an effective collection technique, applicable law prohibits the use of recoupment to collect overpayments caused by agency errors; (3) overpayments caused by agency errors accounted for about 34 percent of claims against Food Stamp program participants; and (4) USDA has estimated that the use of recoupment in the Food Stamp program could increase collections by $1.4 million each month. GAO also found that: (1) in many cases, overpayment recipients leave their program before claims against them are fully paid and do not repay their claims; (2) if FNS gave participants only 10 days to respond to payment demand letters, instead of 30, it could have increased collections by 8 percent in the offices GAO visited; and (3) FNS could also increase collections by giving priority processing to claims against current participants and improving systems used to identify former participants who reenter the programs with outstanding claims. In addition, GAO found that: (1) claims against households no longer participating in the Food Stamp program totalled $135 million in 1984, and FNS was not receiving payments on $85 million of those claims; and (2) one possible way to improve collections on those claims would be to offset federal income tax refunds against participants' outstanding claims.

Open Recommendations to Congress

Recommendation: To improve the effectiveness of states' collection operations, Congress should amend the Food Stamp Act of 1977 to authorize states to pursue mandatory recoupment of overpayments that were caused by agency errors, as is done in the AFDC program. This can be done by amending the first sentence of section 13(b)(2)(A) by striking out "and claims arising from an error of the state agency."
Status: Action not yet initiated.

Recommendation: To further improve the efficiency and results of collection operations, Congress should amend the Food Stamp Act of 1977 to eliminate the requirement that states offer installment payments as an option in recovering

overpayments from participants. This can be done by amending the first sentence of section 13(b)(1)(A) by striking out "in accordance with a schedule determined by the Secretary." Such a change would not preclude states from allowing lump sum repayments or using installments when a household is no longer participating in the program or supplementing recoupment with any additional payments the participant might wish to make.
Status: Action not yet initiated.

Recommendation: To improve collections of overpaid benefits, maximize the use of recoupment, and improve consistency between the AFDC and Food Stamp programs, Congress should amend the Food Stamp Act of 1977 to require a maximum 10-day period for participants to respond to payment demand letters. Such a change can be accomplished by changing the word "thirty" to "ten" in the second sentence of section 13(b)(1)(A).
Status: Action not yet initiated.

Recommendation: If the 2-year test of tax refund offsets specified by the Deficit Reduction Act of 1984 proves that such offsets are feasible, Congress should consider specifically authorizing states to submit unpaid claims against former AFDC and Food Stamp recipients for collection using offsets of federal income tax refunds through procedures similar to those employed under the Deficit Reduction Act. To initially test the cost-effectiveness of the procedure, states should be allowed to use the procedure, on a voluntary basis, closely monitored by the responsible federal program agencies to ensure that adequate data are developed to evaluate the feasibility and cost-effectiveness of using it on a programwide basis.
Status: Action in process.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Administrator, OFA, to specify that recoupment be used to recover overpayments from all participants receiving program benefits. This recommendation would not preclude installment payments being used in the AFDC program to supplement recoupment or lump sum payments to collect overpayment claims.
Status: Action in process. HHS is considering including the recommended change in regulations being formulated.

Recommendation: To improve the timeliness of state collection actions, the Secretaries of Agriculture and Health and Human Services should direct the Administrators, FNS and OFA, respectively, to require priority processing of claims involving current participants by establishing time-period criteria that would require prompt collection action on such claims.
Addressee: Department of Agriculture
Status: Action in process. Estimated completion date: 02/88. Proposed regulations implementing this recommendation are in clearance.

Recommendation: To improve the timeliness of state collection actions, the Secretaries of Agriculture and Health and Human Services should direct the Administrators, FNS and OFA, respectively, to evaluate the operations of states' systems used to start collection action on cases involving former participants with outstanding claims who reenter the programs; identify reasons why such cases are not always identified at the time of application; and assist the states to improve their operations to remedy any such problems.
Addressee: Department of Agriculture
Status: Action in process. Estimated completion date: 04/88. Proposed rules implementing this recommendation were published on March 9, 1987. Final regulations are being formulated.

Recommendation: The Secretary of Agriculture should require states to initiate collection action on food stamp claims involving participants awaiting administrative disqualification hearings.
Status: Action in process. Estimated completion date: 05/88. Proposed regulations regarding this recommendation are being prepared.

Food and Nutrition Assistance

Farm Payments and Loans: Consistency Needed in USDA Crop Yield Estimates

RCED-86-118, 05/29/86

Background

In response to a congressional request, GAO reviewed the methods used by the Agricultural Stabilization and Conservation Service (ASCS), the Federal Crop Insurance Corporation (FCIC), and the Farmers Home Administration (FmHA) to estimate crop yields. The review identified: (1) the impact of differences in estimated yields the agencies used; and (2) possible improvements to the yield estimation process.

Findings

ASCS, FCIC, and FmHA make payments and loans to farmers who enroll in their programs. Since the agencies' programs have different purposes, farmers enroll their cropland in more than one program. However, because each agency independently develops an estimated yield, the same cropland parcel can receive three different yield estimates. With no consistent basis for loan and payment calculations, farmers' payments under one agency's programs can be overstated or understated when compared with the payments calculated using another agency's yield estimates. GAO estimated how each agency's payments to individual farmers for their 1984 crops would have differed if the other agencies' estimated yields had been used to calculate the payment amounts. GAO found that the impact of different yield estimates was significant for many of the sampled farmers. GAO also determined that some of the principal factors in calculating a yield estimate for a specific parcel of cropland include: (1) the number of years included in the base period; (2) the type and extent of adjustments to actual yield data that would be permitted; and (3) the cost of the estimates. GAO believes that: (1) a long base period is desirable because it will better reflect a cropland unit's historical capacity; and (2) agencies should use an adjusted single-yield estimate in their benefit calculations. GAO concluded that most farmers and Department of Agriculture (USDA) officials favor a single-yield estimate for all department programs.

Open Recommendations to Agencies

Recommendation: To ensure an equitable distribution of benefits to the producers participating in ASCS, FCIC, and FmHA programs, and to eliminate the duplicate costs incurred in estimating multiple crop yields for the same cropland, the Secretary of Agriculture should direct the Administrators, ASCS and FmHA, and the Manager, FCIC, to jointly develop one method for estimating a single-crop yield that is consistent with each agency's objectives, and to use the crop yields resulting from this method when determining the level of loans and payments to producers participating in ASCS, FCIC, and FmHA programs.
Status: Action not yet initiated. The agencies have not agreed on common yield measures; however, the 60-day response indicates each agency's preference for retaining the current method.

Recommendation: To ensure an equitable distribution of benefits to the producers participating in ASCS, FCIC, and FmHA programs, and to eliminate the duplicate costs incurred in estimating multiple-crop yields for the same cropland, the Secretary of Agriculture should seek any required legislative change to permit using the yield estimate resulting from the method jointly developed when calculating the amount of loans and payments for producers enrolled in ASCS programs.
Status: Action not yet initiated. ASCS comments indicate its intent to await action by Congress.

Recommendation: To ensure an equitable distribution of benefits to the producers participating in ASCS, FCIC, and FmHA programs, and to eliminate the duplicate costs incurred in estimating multiple-crop yields for the same cropland, the Secretary of Agriculture should direct the Administrators, ASCS and FmHA, and the Manager, FCIC, to give primary consideration to basing the yield estimation method on the actual historical production from each specific cropland unit.
Status: Action not yet initiated. The agencies agreed with the concept of using actual historical production, but they have not agreed on a specific measure.

Food and Nutrition Assistance

Food Stamp Program: Refinements Needed To Improve Accuracy of Quality Control Error Rates

RCED-86-195, 09/19/86

Background

GAO discussed the reliability of the Food Stamp Program's error rates, which served as the basis for sanctions that the Department of Agriculture (USDA) assessed against states for excessive errors they made in determining fiscal year 1984 program eligibility and benefit levels.

Findings

GAO found that: (1) in the three states it evaluated, the federal and state quality control reviews (QCR) were generally adequate, but the QCR process could have been improved; (2) USDA and the three states properly conducted QCR of cases representative of the overall food stamp case load; (3) a USDA regulation required states to drop cases from the QCR process that they could have completed; (4) the dropped cases were about twice as error-prone as completed cases and, if completed, would have increased error rates in all three states and sanctions in two of the three states; and (5) in computing the official error rates, USDA made statistical and mathematical mistakes for 13 of the 25 states.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service (FNS), to revise food stamp regulations to require states to obtain, at the time of application and recertification, authorization for release of information for possible use by quality control reviewers seeking to verify participants' eligibility for benefits.
Status: Action not yet initiated. USDA stated that it will consider this recommendation in conjunction with its response to a congressionally mandated study of the quality control system being prepared by the National Academy of Sciences (NAS). This NAS study was released in October 1987. A second NAS study is scheduled for release by early 1988. The USDA response should be available during the first part of 1988.

Recommendation: The Secretary of Agriculture should change food stamp regulations governing the QCR process to require states to include in the error rate any case in which the review of basic program eligibility requirements shows that the participant was ineligible for the program.
Status: Action not yet initiated. USDA stated that it will act on this recommendation in conjunction with its response to the NAS study due in early 1988

Recommendation: The Secretary of Agriculture should change food stamp regulations governing the QCR process to require states to attempt to complete reviews of participants who are under investigation for suspected fraud or have pending administrative fraud hearings.
Status: Action not yet initiated. USDA stated that it will act on this recommendation in conjunction with its response to the NAS study due in early 1988.

Recommendation: The Secretary of Agriculture should change food stamp regulations governing the QCR process to specify that FNS regional offices have the authority to require states to complete reviews of cases for which the region believes sufficient information has been obtained or can be obtained to complete a review. The Secretary of Agriculture should consider augmenting this authority by asking Congress for authority to assess states for the costs the federal government incurs when completing reviews of cases dropped by states.
Status: Action not yet initiated. USDA stated that it will act on this recommendation in conjunction with its response to the NAS study during the first part of 1988.

Food and Nutrition Assistance

Food Stamp Program: Statistical Validity of Agriculture's Payment Error-Rate Estimates

RCED-87-4, 10/30/86

Background

In response to a congressional request, GAO reviewed the quality control system that the Food and Nutrition Service (FNS) used to determine the fiscal year 1984 error rates in Food Stamp Program benefit payments and to assess sanctions against states for their errors.

Findings

GAO noted that FNS annually estimates each state's food stamp payment error rate in a two-step process, using statistically selected FNS and state case samples. FNS: (1) computes a regressed error rate based on a review of its subsample of the state's sample; (2) adjusts the regressed error rate upward if the state did not complete the number of sample case reviews prescribed in its approved quality control review plan; and (3) determines the state's sanction from the resulting number, which is the official error rate. A sanction involves reducing the federally funded share of a state's administrative costs by a predetermined percentage tied to a target error rate. GAO found that, overall, FNS statistical policies for estimating the regressed and official error rates generally conformed with accepted statistical theory. GAO believes that, because small changes in the official error rates could affect sanction amounts, FNS should use the soundest practical statistical methods in developing the payment error-rate estimates.

Open Recommendations to Agencies

Recommendation: The Administrator, FNS, should amend FNS policy and guidance to require that an acceptable expected minimum-stratum sample size be established when approving a state's sampling plan.
Status: Action not yet initiated. FNS stated that it would consider implementing this recommendation in conjunction with taking actions in accordance with the findings in a National Academy of Sciences statistical study scheduled for release by early 1988, and those of another study which addresses several statistical issues. This study was contracted by FNS and is due in early 1988.

Recommendation: In conjunction with actions taken in response to studies that the Department of Agriculture (USDA) and the National Academy of Sciences are conducting on food stamp error rates and sanctions, the Administrator, FNS, should amend FNS policy and guidance to eliminate the assumption that cases for which reviews have not been completed have the same error rate as completed cases.
Status: Action not yet initiated. FNS agreed to implement this recommendation when it acts on the National Academy of Sciences study, due for release by early 1988, and on another study contracted by FNS to address the issue of dropped cases. This study is also due to FNS in early 1988.

Recommendation: In conjunction with actions taken in response to studies that USDA and the National Academy of Sciences are conducting on food stamp error rates and sanctions, the Administrator, FNS, should amend FNS policy and guidance to require that the standard deviation of the regressed payment error rate, instead of the standard deviation from the state samples, be used in calculating the adjusted, or official, error rate.
Status: Action not yet initiated. FNS agreed to implement this recommendation when it acts on the National Academy of Sciences studies; one was issued in October 1987, and the second is due by early 1988. Also, FNS contracted for another statistical study, due in early 1988, which will be reviewed for information on this issue.

General Retirement and Disability Insurance

Prisoners Receiving Social Security and Other Federal Retirement, Disability, and Education Benefits

HRD-82-43, 07/22/82

Background

Pursuant to a congressional request, GAO estimated the number of incarcerated felons receiving social security and other cash benefits from various federal programs. Initial GAO estimates on the number of prisoner beneficiaries receiving benefits from Social Security Administration (SSA) and Veterans Administration (VA) programs resulted in Congress enacting legislation in 1980 to exclude certain of these benefits to prisoners.

Findings

GAO estimated that before the 1980 amendments: (1) about 1.4 percent of the incarcerated felons were receiving social security disability benefits of approximately $17 million a year; (2) about 1 percent were receiving VA disability compensation of approximately $8 million a year; and (3) about 1.3 percent were receiving VA education benefits of approximately $14 million a year. Prisoners were also receiving cash benefits from other similar federal programs not addressed by the amendments, including 0.4 percent who were receiving social security retirement or survivor benefits of approximately $4 million a year. Other prisoners were receiving cash benefits from the federal needs-based programs of Supplemental Security Income and veterans pensions. SSA and VA will not be able to identify prisoner beneficiaries completely until accurate social security numbers (SSN's) are available for all prisoners. States varied widely in the completeness and accuracy of this information and could improve their documentation in coordination with the SSA validation process. GAO also estimated that about 4 percent of the prisoners were receiving postsecondary education funded through Pell Grants. The amounts varied but, because of tuition waivers, some grants were higher than the fees schools actually charged the prisoners.

Open Recommendations to Agencies

Recommendation: The Administrator of Veterans Affairs should use the prisoner identification information supplied by SSA to better identify prisoner beneficiaries of VA programs.
Status: Action in process. VA is awaiting a letter of agreement and identification information from SSA. VA will then start the matching to identify provisions concerning VA benefits.

General Retirement and Disability Insurance

Social Security Administration Needs To Protect Against Possible Conflicts of Interest in Its Disability Programs

HRD-83-65, 06/10/83

Background

In response to a congressional request, GAO conducted a survey of the consultative examination process used by the Social Security Administration (SSA) to make disability benefit eligibility determinations.

Findings

GAO identified a loophole in SSA policies whereby physicians who are working for various state disability determination services (DDS) and under contract to SSA are prohibited from performing consultative examinations but are permitted to have familial or financial interests in firms or organizations that do perform these examinations. SSA policy pertaining to physician independence states that all implications of possible conflicts of interest must be avoided. GAO believes that this policy should be strengthened

and enforced. As a result of the current policy, a situation existed in the SSA Chicago regional office where the Chief Regional Medical Advisor and one other medical consultant were associated with a firm which received almost $2 million in 1982 for performing consultative examinations. While these arrangements were approved in advance by SSA and did not violate government standards of ethics, they did create a conflict of interest. Both medical consultants recently terminated their contracts with SSA.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should require that the Commissioner of Social Security revise SSA policies regarding physician independence or consultative examinations to prohibit all SSA and DDS physicians, whether under contract or employees, from having familial or financial interests in firms or organizations doing consultative examinations. Contracts with physicians should be modified to include this prohibition.

Status: Action in process. SSA still has not issued the final policy on conflicts of interest. The draft policy statement has been included in the proposed regulation which is awaiting Office of Management and Budget approval for issuance. No date is set for its release.

General Retirement and Disability Insurance

Better Case File Monitoring of the Workers' Compensation Offset Provision by the Social Security Administration Could Save Millions

HRD-83-90, 09/30/83

Background

GAO reviewed the losses that the Social Security Disability Insurance (DI) trust fund incurs each year because DI payments to disabled workers are not being reduced as required by the workers' compensation offset provision of the Social Security Act. The DI trust fund is the nation's primary source of income replacement for disabled workers. Many DI recipients are also entitled to federal disability or workers' compensation benefits. These benefits can overlap, causing disabled workers to receive more in disability benefits than they were earning before they became disabled.

Findings

Although the offset provision saved the Social Security Administration (SSA) $168 million in fiscal year 1981, GAO estimated that claims that were not offset cost the trust fund about $43 million. GAO believes that many claims were not offset because SSA had no indication that the DI claimants had received other benefits or had claims pending. However, in other cases, SSA could have prevented the loss by acting on evidence in the case files. In applying the offset provision, SSA relies heavily on claimants' voluntary reports of compensation awards or changes in award amounts. SSA has acknowledged that this reliance has contributed significantly to overpayments and it has begun several activities designed to investigate claimants' failure to report benefits payments. SSA is making inquiries into data exchanges with state agencies, but it reports that serious obstacles remain to be overcome before that objective can be achieved. SSA plans to select a state to participate in a pilot program and to evaluate the results of the program to determine the potential of file-matching programs. GAO stated that SSA could reduce or eliminate lost offsets for federal employee cases by matching its files with the Department of Labor's files. Since the beginning of the GAO review, SSA has initiated several actions to reduce the number of offsets not imposed, and the SSA Office of Assessment is planning to make several recommendations to improve the processing of offset cases.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services (HHS) should work with the Secretary of Labor to establish regular matches between the DI file and Labor's workers' compensation files.

Status: Action in process. The plan is currently being developed to match and

review the Federal Employees Compensation Act (FECA) file. The first match is to run in early 1988.

Recommendation: The Secretary of Health and Human Services, to facilitate the matches, should explore with the Secretary of Labor the feasibility of including additional identifiers in Labor's computer files.
Status: Action in process. The plan is being developed to match and review the FECA file. The first match is to be run in early 1988.

General Retirement and Disability Insurance

The 1980 Multiemployer Pension Plan Amendments Act: An Assessment of Funding Requirement Changes

HRD-85-1, 02/27/85

Background

GAO reported on the effect of the Multiemployer Pension Plan Amendments Act of 1980 on employers, participants, and others, and it assessed the effect of the act's changes in multiemployer plan funding requirements.

Findings

GAO found that 14 of 149 plans it examined were financially distressed and could pose a risk to the government's insurance program amounting to billions of dollars. The act's provisions for improving the financial condition of such distressed plans, however, may not be adequate. GAO noted that, although the act's reorganization provisions are intended to reduce the risk that financially distressed plans pose to the entire insurance program, the provisions are not likely to identify the distressed plans or to require most of them to take action to improve their financial condition.

Open Recommendations to Congress

Recommendation: Congress may wish to amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code to require that the vested benefits charge under the reorganization provisions be calculated using a 15- rather than 25-year period for amortizing the unfunded vested benefits of plan participants that have not retired.
Status: Action not yet initiated.

General Retirement and Disability Insurance

Need To Strengthen Social Security's Beneficiary Reporting Requirements and Enforcement Authority

HRD-85-12, 03/22/85

Background

GAO reported on federal retirement overpayments to determine what portion of overpayments are caused by beneficiaries and how effectively the Social Security Administration (SSA) utilizes its sanctions to prevent and minimize improper reporting.

Findings

GAO found that, as of September 1984, retired and disabled beneficiaries and their dependents or survivors owed SSA about $2 billion, which represented about 1.4 million overpayments. About 60 percent of such overpayments, constituting two-thirds of all overpaid dollars, were caused by beneficiaries who misreported, reported late, or did not report events that would have reduced or eliminated benefits. Although most

overpayments were refunded to the government, a small portion of funds were retained because SSA did not often use existing penalty authority, or the authority did not extend to all incidents that gave rise to beneficiary-caused overpayments. GAO believes that, although some overpayments cannot be avoided, most could be avoided or reduced if compliance procedures were better enforced.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to improve the management of the current penalty process. Specifically, SSA should: (1) ensure that repayment history and other data needed to make the decision to assess a penalty are available at the time the initial decision is made and that penalty decisions are documented; and (2) review all penalty decisions before they become finalized to identify and correct inconsistent application of the penalty procedures.
Status: Action in process. Full implementation must await the completion of Phase III of the SSA National Debt Management System. In the spring of 1987, SSA decided to delay the initiation of Phase III until 1990. In the interim, SSA plans to enhance its Recovery of Overpa, at Accounting and Reporting System.

General Retirement and Disability Insurance

Disability Programs: SSA Consultative Medical Examination Process Improved; Some Problems Remain

HRD-86-23, 12/10/85

Background

In response to a congressional request, GAO reviewed the Social Security Administration's (SSA) management of consultative examinations (CE) in its disability programs. GAO evaluated: (1) SSA ability to ensure the quality and reliability of examinations and reports; (2) SSA controls to ensure the necessity and appropriateness of CE purchases; and (3) the operations of major volume providers nationwide.

Findings

Disability decisions are made by state disability determination services (DDS), which are regulated by SSA regional offices. If a claimant's treating physician is unavailable to provide evidence of medical impairment, CE are purchased from private medical sources. GAO found that: (1) increased SSA claims documentation requirements, emphasis on decisional accuracy, and continuing investigations of persons already receiving disability benefits increased the rate of CE purchasing; (2) as the demand for CE grew, states would purchase them from volume providers; (3) there were few substantive problems in on-site reviews of volume providers by state and federal teams; (4) SSA required states to establish CE management plans with oversight by SSA regional offices; (5) new SSA policies have provided better direction on physician standards and CE reporting requirements; and (6) states have increased their monitoring of CE providers. GAO also found that: (1) SSA did not specify how the states should structure their management systems to control the CE process; (2) SSA still lacks reasonable assurance that it obtains good-quality medical examinations and reports and prevents the purchase of unnecessary examinations; and (3) some SSA regional offices have not reviewed their states' implementation plans and are not performing monitoring activities as SSA requires.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to require states that use volume providers to establish standards for controlling CE appointment scheduling and/or examination duration, preferably before the resumption of continuing disability reviews.
Status: Action in process. Proposed regulations incorporating time frames for scheduling CE appointments are in the clearance process.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to clarify SSA intent and provide specific direction to states on structuring systems for ongoing review of CE reports and require larger DDS to establish independent report review systems.

Status: Action in process. A comprehensive medical evidence effectiveness plan, which includes proposals for ongoing reviews of CE reports and forming model CE review units in larger DDS, was developed and will be released for field comments soon.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to issue a comprehensive review guide to SSA regional offices for use in conducting annual and uniform comprehensive reviews of states' CE management activities.
Status: Action in process. SSA plans to issue a standard review guide for regional offices to use in conducting CE monitoring activities in DDS.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to monitor DDS implementation of the new requirements to pursue treating-source evidence to determine if additional controls are needed to prevent premature and unnecessary CE purchasing.
Status: Action in process. SSA is soliciting reactions from DDS to a proposal that would require a 30-day waiting period before ordering CE. SSA is also monitoring DDS use of medical evidence or records through an ongoing quality assurance process.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to conduct a study to determine the effect of physician review of CE requests on the appropriateness of CE purchases and, if warranted, require that such reviews be mandatory for all DDS.
Status: Action in process. SSA developed a plan for a study on the frequency of unnecessary CE purchases. SSA is also collecting data to measure the effectiveness of physician reviews of the appropriateness of CE purchases.

General Retirement and Disability Insurance

Retirement Benefits: Discrepancies in Benefits Paid by the Railroad Retirement Board for SSA

HRD-86-3, 02/05/86

Background

GAO surveyed 17 different types of data exchanges between the Railroad Retirement Board (RRB) and the Social Security Administration (SSA), focusing on the benefit payments that RRB makes on behalf of SSA.

Findings

GAO found that, although RRB and SSA developed a monitoring system (CSAUDIT) to verify the accuracy of payments RRB made on behalf of SSA to beneficiaries entitled to both railroad retirement and social security benefits, only 12 percent of the 190,000 identified payment discrepancies were reconciled. Most of the discrepancies remain unreconciled because: (1) RRB and SSA disagree about the adequacy of CSAUDIT as a reconciliation tool; and (2) neither agency has committed sufficient resources to reconcile the increasing case backlog. RRB is unwilling to expend resources on what it believes to be unnecessary and costly work, and SSA refers many CSAUDIT discrepancies to RRB that it could resolve. The review of discrepant cases and recent RRB and SSA data suggest that many beneficiaries have erroneously paid substantial amounts for years. The delays in reconciling these discrepancies have led to extended periods of erroneous payments and situations where erroneous payments could not be remedied.

Open Recommendations to Agencies

Recommendation: The Commissioner of Social Security and the Chairman, RRB, should make specific resource commitments for reconciling CSAUDIT discrepancies.
Addressee: Social Security Administration
Status: Action in process. SSA is awaiting the results of a study by its Office of Quality Assurance as to what must be done to clean up backlog cases so that they can be forwarded to RRB. The study should be completed by February 1988. SSA hopes to begin referring backlog cases by September 1988.
Addressee: Railroad Retirement Board

Status: Action in process. SSA is awaiting the results of a study by its Office of Quality Assurance as to what must be done to clean up backlog cases so that they can be forwarded to RRB. The study should be completed by February 1988. SSA hopes to being referring backlog cases by September 1988.

Recommendation: The Commissioner of Social Security and the Chairman, RRB, should reconcile CSAUDIT discrepancies on a continuing and timely basis.
Addressee: Social Security Administration
Status: Action in process. SSA is referring current cases to RRB.
Addressee: Railroad Retirement Board

Status: Action taken not fully responsive. RRB maintains that it is unable to keep up with current cases referred by SSA because of staffing problems.

General Retirement and Disability Insurance

1980 Multiemployer Pension Amendments: Overview of Effects and Issues

HRD-86-4, 02/13/86

Background

In response to a congressional request, GAO reported on: (1) changes in the Pension Plan Insurance Program's financial condition since the Multiemployer Pension Plan Amendments Act of 1980 (MPPAA) was enacted; (2) the act's initial effects on the program, plan participants, and contributing employers; and (3) possible effects of the act over the long term.

Findings

GAO found that, at the time MPPAA was enacted in 1980, the insurance program had an $8.5 million deficit, but 4 years later, it had a $17.2 million surplus. During the same period, the program's cash reserve increased from three times annual disbursements to seven times. Both improvements came about because the increased premium rate generated more than enough revenue to pay program liabilities, while average disbursements remained relatively constant before and after the act went into effect. GAO found that MPPAA provisions provided protection to the program without significantly increasing costs to most employers, because: (1) plan funding provisions, for most plans, required higher employer contributions than before; (2) withdrawal liability provisions, as of mid-fiscal-year 1983, resulted in about $260 million being potentially collectable from employers who withdrew from the 149 plans; and (3) a special provision eliminated withdrawal liability for about 68 percent of the 3,853 employers withdrawing from sample plans with unfunded benefits and reduced liability for another 12 percent. GAO believes that: (1) the program remains exposed to billions of dollars in potential losses from unfunded plan benefits; (2) MPPAA provisions may be inadequate to protect the program because collections of withdrawal liabilities from bankrupt employers may be limited; (3) the act's withdrawal liability provisions may cause new employers not to join the plans; and (4) participants' benefits may be significantly affected by employers acting to slow or stop benefits improvements.

Open Recommendations to Congress

Recommendation: Congress should consider requiring the collection and analysis of data needed to assess issues affecting the multiemployer pension plan system. Congress could use such data in formulating and implementing policy changes.
Status: Action not yet initiated.

General Retirement and Disability Insurance

Social Security: Need To Improve Unit Times for Estimating Field Office Staff Budgets

GGD-86-90, 08/06/86

Background

GAO reviewed the Social Security Administration's (SSA) use of unit time to estimate its field office staffing needs.

Findings

GAO found that: (1) SSA develops and uses unit times and works to keep them current by adjusting them for methods, procedures, and systems changes; and (2) SSA could make its unit times more efficient by using engineered time standards.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to develop engineered time standards on a pilot basis in selected field offices to determine the feasibility and cost-effectiveness of using such standards on a wider basis.

Status: Action in process. SSA reported that it has begun action on this recommendation. It is in the planning phase, and selected two offices for pilot studies. Currently, SSA is seeking professional expertise from the private sector to assist in this effort.

General Retirement and Disability Insurance

ADP Acquisitions: SSA Should Limit ADP Procurements Until Further Testing Is Performed

IMTEC-86-31, 08/08/86

Background

In response to a congressional request, GAO reviewed the Social Security Administration's (SSA) Systems Modernization Plan to determine whether SSA fully justified ongoing and planned computer hardware procurements totalling $343 million and whether the procurements will meet SSA requirements.

Findings

GAO found that: (1) the ongoing and planned procurements for the plan were not justified because it was unclear what needs the procurements would address, what potential mission benefits would result from the acquisitions, and whether SSA had adequately analyzed alternatives; and (2) the tests SSA conducted to validate the software will not provide an overall and thorough measure of the system's projected performance. GAO believes that SSA: (1) should limit the procurements to only the equipment needed to test the total planned hardware configuration in conjunction with the major software components currently under development; and (2) not procure the full complement of equipment unless and until it conducts an evaluation of the total system over a period long enough to obtain stable and complete results, and reviews those results prior to committing to procurements for full system deployment.

Open Recommendations to Agencies

Recommendation: To ensure that valid SSA computer needs are met without making unnecessary expenditures, the Secretary of Health and Human Services should direct the Commissioner of Social Security to limit future contractual commitments of funds until SSA assesses, justifies, and documents projected automatic data processing requirements, alternatives to meeting the requirements, and the associated benefits to the SSA mission, which

should result in a clarification of SSA equipment needs.

Status: Action in process. SSA has cancelled some hardware procurements based on the lack of justification, and is currently in the process of reassessing its needs.

General Retirement and Disability Insurance

Social Security: Improved Telephone Accessibility Would Better Serve the Public

HRD-86-85, 08/29/86

Background

GAO reported the results of a nationwide test of the Social Security Administration's (SSA) telephone accessibility to the public and provided information on SSA standards and telephone reporting activities.

Findings

GAO noted that SSA: (1) maintains 34 teleservice centers to answer telephone calls in major metropolitan areas or entire states; (2) maintains 20 miniteleservice centers, 12 statewide centers, and 627 local or district offices to provide telephone service to less populous areas; and (3) utilizes service standards for its teleservice centers that require that calls not be left on hold for more than 2 minutes and that busy-signal rates do not exceed 15 percent. GAO found that: (1) SSA answered three of every four calls from the public directly or within 2 minutes of putting a call on hold; (2) telephone access to SSA varied considerably among telephone answering facilities; (3) some SSA facilities provided unacceptable service by SSA standards; (4) SSA facilities reported misleading and limited data on their telephone service to the public; and (5) SSA service standards apply only to the teleservice centers.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to take steps to bring into compliance those facilities not meeting service-level standards.
Status: Action in process. Initial discussions are being held.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to clarify the average wait-time standard to require that only calls on hold be used in computing the average.
Status: Action not yet initiated. The agency is studying this recommendation.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to develop busy-signal and average-wait-time standards for telephone calls to miniteleservice centers, statewide units, and local offices.
Status: Action in process. The agency is analyzing options.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to periodically measure and evaluate service provided by SSA telephone answering facilities against established standards.
Status: Action in process. The agency plans to use the GAO evaluation design.

General Retirement and Disability Insurance

Pension Plans: Government Data on Terminations With Excess Assets Should Be Improved

HRD-87-19, 11/12/86

Background

In response to a congressional request, GAO reviewed Pension Benefit Guaranty Corporation (PBGC) data on the effects of pension plan terminations with excess assets on participants' pension coverage.

Findings

GAO found that: (1) policymakers need data showing the types of continuing coverage, if any, that participants receive after spinoff terminations to decide if changes should be made to mitigate the potential adverse effects of terminations; (2) PBGC does not provide the necessary data; and (3) some plan terminations that PBGC reported in 1985 as spinoffs included working participants who received no continuing pension coverage or different coverage that could give them higher or lower benefits than before. GAO believes that, by using the data it routinely collects when plans are terminated, PBGC can improve its reported spinoff termination data by specifying the types of continuing pension coverage, if any, provided to working participants.

Open Recommendations to Agencies

Recommendation: PBGC should improve the information it reports on spinoff terminations by showing how the pension coverage of working participants is affected after the spinoff.
Status: Action in process. PBGC is revising a form to request information on how the coverage of working participants of terminated plans is affected. The Department of Labor and Office of Management and Budget approval will be requested and must be received before implementation.

General Retirement and Disability Insurance

Pension Plans: Government Insurance Program Threatened by Its Growing Deficit

HRD-87-42, 03/19/87

Background

Pursuant to a congressional request, GAO assessed the: (1) causes of large claims against the Pension Benefit Guaranty Corporation's (PBGC) insurance program; and (2) potential effects of the Single Employer Pension Plan Amendments Act (SEPPAA).

Findings

GAO found that: (1) 90 percent of the $501 million in claims against PBGC from 1983 through 1985 resulted from 23 employers terminating 33 pension plans; (2) even if those employers had made all of the required contributions to their plans, the 33 plans would still have been underfunded by $317 million; (3) benefit increases before termination contributed to underfunding of 27 of the 33 plans; (4) the 23 employers made only about half of the required contributions in the 5 years before they terminated their plans; and (5) the Internal Revenue Service waived about 23 percent of the unpaid contributions. GAO also found that: (1) SEPPAA prevented claims from plans terminated by firms that were not financially distressed, but financially distressed employers accounted for 96 percent of the claims from 1983 through 1985; (2) SEPPAA increased employers' liability to PBGC to 75 percent of unfunded pension benefits; (3) PBGC claims against employers in bankruptcy proceedings have a low priority; (4) SEPPAA increased the annual premium rate more than 300 percent, but the rate increase will not generate enough revenue to offset the growing PBGC deficit; (5) the PBGC deficit tripled in

1986, primarily because of large claims from one bankrupt employer's terminated plans; and (6) the annual drain on PBGC assets could render the program insolvent by 2002.

Open Recommendations to Congress

Recommendation: Given the uncertainties associated with the long-term effects of SEPPAA on the program's financial condition, Congress may wish to consider additional changes to enhance the program's viability. To help control potential claims against the program, such changes could include: (1) raising the minimum contribution requirements to reduce plans' unfunded benefits; (2) requiring employers to make contribution payments to their plans sooner than 8-1/2 months after a plan year ends; and (3) reducing benefits guaranteed by the program, for example, eliminating coverage of any benefit improvements that become effective within 5 years of plan termination.
Status: Action in process.

Recommendation: Given the uncertainties associated with the long-term effects of SEPPAA on the program's financial condition, Congress may wish to consider additional changes to enhance the program's financial viability. To enhance the financing of claims that do occur, possible changes include: (1) raising the priority of PBGC claims against employers that are in bankruptcy proceedings; and (2) raising the premium rate again to provide the revenue needed to retire the program's deficit and pay for projected unrecoverable claims.
Status: Action in process.

General Retirement and Disability Insurance

Social Security: More Must Be Done To Credit Earnings to Individuals' Accounts

HRD-87-52, 09/18/87

Background

GAO reviewed the effectiveness of the Social Security Administration's (SSA) process for crediting individuals' earnings to their individual accounts and the effect of uncredited or erroneously credited earnings on individuals' benefits and eligibility and on Social Security trust funds.

Findings

GAO found that: (1) SSA consistently reported less in earnings than the Internal Revenue Service (IRS) and the two agencies have not worked well together to resolve differences in employers' earning reports; (2) SSA contact with employers to resolve such differences resulted in recording about an additional $3.6 billion in earnings for 700,000 employees, although half of employers contacted did not provide information; (3) neither SSA nor IRS compiled sufficient data to identify the causes of differences and actions necessary to prevent or reduce future occurrences; (4) three of five individuals with uncredited earnings faced possible loss of about $17 a month in benefits; (5) SSA plans to resolve some backlogged uncredited earnings reports did not encompass all such reports, or address employers who did not respond to information requests, or ensure that employers saved employees' earning records; and (6) unless it can certify recorded earnings for previous tax years, SSA may not be entitled to a portion of tax revenues received based on IRS records.

Open Recommendations to Congress

Recommendation: Congress should consider amending section 201(a) of the Social Security Act to specify a time limit, such as the employer earnings record retention period specified by IRS, for the Secretary of Health and Human Services to certify earnings. If Congress chooses not to specify a time limit for certifying earnings, it should consider whether: (1) SSA should be required to relinquish trust fund money to general revenue funds for those earnings amounts that employers have reported to IRS, but which SSA has not recorded; or (2) the trust funds should be permitted to retain revenues based on IRS-recorded employers' earning reports.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Secretaries of Health and Human Services and the Treasury should direct the Commissioners of Social Security and Internal Revenue to work together to revise the SSA-IRS interagency agreement to specify what will be reconciled and who will perform and complete the reconciliation.
Addressee: Department of the Treasury
Status: Action not yet initiated. SSA and IRS officials are meeting to develop an action plan.
Addressee: Department of Health and Human Services
Status: Action not yet initiated. SSA and IRS officials are meeting to develop an action plan.

Recommendation: The Secretaries of Health and Human Services and the Treasury should direct the Commissioners of Social Security and Internal Revenue to work together to develop and pursue a strategy for examining the backlogged and newer cases that emphasizes contacting employers: (1) who have multiple years of earnings differences; and (2) for whom the IRS record retention period of 4 years has already lapsed or will soon lapse.
Addressee: Department of the Treasury
Status: Action not yet initiated. SSA and IRS officials are meeting to develop an action plan.
Addressee: Department of Health and Human Services
Status: Action not yet initiated. SSA and IRS officials are meeting to develop an action plan.

Recommendation: The Secretaries of Health and Human Services and the Treasury should direct the Commissioners of Social Security and Internal Revenue to work together to develop and submit a plan of action, before submitting their fiscal year 1989 budget requests, to the congressional committees that have oversight and resource responsibilities for these agencies, specifying: (1) a time-phased schedule for eliminating the backlog and resolving new discrepancies; and (2) any additional resources that will be required.
Addressee: Department of the Treasury
Status: Action not yet initiated. SSA and IRS officials are meeting to develop an action plan.
Addressee: Department of Health and Human Services
Status: Action not yet initiated. SSA and IRS officials are meeting to develop an action plan.

Recommendation: The Secretaries of Health and Human Services and the Treasury should direct the Commissioners of Social Security and Internal Revenue to work together to determine the major causes that result in SSA and IRS recording different earnings totals, and take corrective action to prevent their occurrence or reduce their frequency.
Addressee: Department of the Treasury
Status: Action not yet initiated. SSA and IRS are meeting to develop an action plan.
Addressee: Department of Health and Human Services
Status: Action not yet initiated. SSA and IRS officials are meeting to develop an action plan.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to assess the actual effect of IRS-SSA reconciliation tolerances on individuals' eligibility and benefits to determine the equity and reasonableness of the tolerances, adopting tolerances, if appropriate, based on this assessment.
Status: Action not yet initiated. SSA is developing its response.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to immediately alert employers for whom SSA and IRS have recorded different earnings totals for each year from 1978 through 1982, asking them to retain their employees' earnings records for the year or years that SSA and IRS records indicate are missing or discrepant, thus minimizing the possible loss of data.
Status: Action not yet initiated. HHS is preparing its final response to the report. A draft is now being circulated among its components.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to gather data on employers' unwillingness to respond to requests for verification of employees' prior years' earnings and determine whether enforcement authority for SSA is warranted, considering IRS ability to provide enforcement assistance.
Status: Action not yet initiated. HHS is preparing its final response to the report. A draft is now being circulated among its components.

Recommendation: The Secretary of the Treasury should direct the Commissioner of Internal Revenue to reassess the decision to further delay providing data to SSA for the 1979 earnings of self-employed individuals, which SSA needs to ensure the accuracy of benefit payments.
Status: Action not yet initiated. Treasury plans to examine the feasibility of implementing this recommendation.

Housing Assistance and Other Income Supplements

The Davis-Bacon Act Should Be Repealed

HRD-79-18, 04/27/79

Background

The Davis-Bacon Act requires that each contract for the construction, alteration, or repair of public buildings in excess of $2,000, to which the United States is a party or shares the financing, must state the minimum wages to be paid to various classes of laborers and mechanics. The minimum wages are those determined by the Secretary of Labor to be prevailing for laborers employed on projects of a similar character in the area in which the work is to be performed. The act was intended to discourage nonlocal contractors from successfully bidding on government projects by hiring cheap labor from outside the project area, thus disrupting the prevailing local wage structure. In 1977, about $172.5 billion was spent on new public and private construction projects, but only $37.8 billion was for direct federal or federally assisted construction spent by state and local agencies, involving about 22 percent of the nation's 3.8 million construction workers. The remaining $134.7 billion was for privately financed projects without the prevailing wage protection of the Davis-Bacon Act.

Findings

The significant changes in the nation's economic conditions and the economic character of the construction industry since 1931, plus the passage of other wage laws, make the Davis-Bacon Act unnecessary. After nearly 50 years of administering the Davis-Bacon Act, the Department of Labor has not developed an effective system to plan, control, or manage the data collection, compilation, and wage determination functions. A review of the wage determination activities in five regions and headquarters showed continued inadequacies, problems, and obstacles in the attempt by Labor to develop and issue wage rates based on prevailing rates. The review of 30 federal or federally assisted projects, costing an estimated $25.9 million, showed that the majority of the rates issued by Labor were higher than the prevailing rates in 12 of the localities and lower in the other 18. In the 18 projects where Labor's rates were lower than those prevailing locally, local contractors were generally awarded the contracts and paid workers the prevailing rates in the community. When Labor's rates were higher than those prevailing locally, it was found that nonlocal contractors worked on most of the projects, indicating that the higher rates may have discouraged local contractors from bidding. In addition, the weekly payroll reporting requirement resulted in unnecessary contractor costs estimated at $189.1 million for 1977.

Open Recommendations to Congress

Recommendation: Congress should repeal the Davis-Bacon Act and rescind the weekly payroll reporting requirement of the Copeland Anti-Kickback Act because of: (1) significant increased costs to the federal government; (2) the impact of excessive wage determination rates on inflating construction costs and disturbing local wage scales; and (3) the fact that contractors tend to pay prevailing rates, which is the intent of the act, when determinations are too low.
Status: Action in process.

Recommendation: Congress should also repeal the provisions in the 7[illegible] related statutes which involve federally assisted construction projects and require that wages paid to contractor employees should not be less than those determined by the Secretary of Labor to be prevailing in the locality in accordance with, or pursuant to, the Davis-Bacon Act.
Status: Action in process.

Housing Assistance and Other Income Supplements

Millions Could Be Saved by Improving Integrity of the Food Stamp Program's Authorization-To-Participate System

CED-82-34, 01/29/82

Background

GAO reviewed the Department of Agriculture's (USDA) use of the Authorization-to-Participate (ATP) system, the Food Stamp Program's principal benefit-delivery method. The purpose of the review was to make a preliminary assessment of the Food and Nutrition Service's (FNS) efforts to ensure the integrity of the system, which will deliver about $8 billion of the estimated $10.6 billion of food stamp benefits in fiscal year 1982.

Findings

GAO found that the ATP system has serious weaknesses. While losses through the system have been reported to be about $12 million annually, the inaccurate and incomplete reconciliation reports submitted by some food stamp agencies and the lack of reconciliation reports by others indicate that actual losses are greater. As a result, FNS does not know the full extent of the losses. Moreover, it has opted to assume the fiscal liability of these losses when, in fact, some could have been prevented by food stamp agencies. FNS has issued regulations requiring the use of photo identification at all food stamp projects. The new regulations also limit ATP card replacements, but duplicate transactions may still occur. GAO found that not all food stamp agencies that have serious ATP problems are required to use photo identification under the current criteria.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Acting Administrator, FNS, to take specific measures to improve the ATP system's fiscal integrity, including: (1) determining those elements of existing ATP delivery systems, which are most effective in preventing program losses, and direct that the more effective methodologies be used where appropriate; (2) verifying data on the reconciliation reports by reviewing food stamp agencies' ATP issuance and reconciliation systems and records, identifying through these reviews food stamp agencies that may be more likely to have recurring duplicate ATP transactions, and analyzing these weaker systems and requiring the food stamp agencies to correct flaws contributing to program losses; (3) requiring photo identification at all food stamp agencies experiencing significant duplicate ATP transactions but not currently covered by the regulations; (4) enforcing program regulations making states and local food stamp agencies liable for program losses that should have been prevented; and (5) reevaluating the new ATP replacement regulations to determine if weaknesses in the regulations can be eliminated.
Status: Action in process. Estimated completion date: 04/88. USDA partially implemented this recommendation. In April 1986, USDA issued proposed regulations to strengthen the issuance system along the lines suggested. The regulations were incorporated into Food Stamp Program issuance liability regulations that were proposed in April 1987. Final regulations are expected by April 1988.

Housing Assistance and Other Income Supplements

Need for Greater Efforts To Recover Costs of Food Stamps Obtained Through Errors or Fraud

RCED-83-40, 02/04/83

Background

GAO conducted a review of the Food Stamp Program to see if improvements have been made in the identification and recovery of overissuances and the adjudication of cases involving alleged fraud since a 1977 report.

Findings

During fiscal years 1980 and 1981, the federal government lost about $2 billion through state overissuances of food stamp benefits, and eligible households received about $500 million less than they should have. The erroneous issuances resulted from administrative and recipient errors and fraud. Only about 1 cent of each overissued dollar was recovered. Using semiannual quality control results, the Food and Nutrition Service (FNS) can project the total amount of overissued and underissued benefits, but it has no reliable data on how many of these errors identify with specific households. Data from six states indicated that, compared with total estimated overissuances, relatively few specific cases have been identified. GAO stated that the use of computer matching to identify and ultimately recover specific overissuances holds considerable promise, and legislation implemented in recent years provides needed financial incentives to identify more overissuance cases. Although states are required to establish claims against households identified as receiving overissuances, they have not always done so because collection was difficult; however, recent legislation provides financial incentives and requires offsets against benefits to households still in the program. GAO found that states have not investigated or adjudicated many identified cases of potential fraud because of the problems they perceived in pursuing them, and FNS has not acted in a concerted way to solve or lessen barriers to state fraud pursuit.

Open Recommendations to Congress

Recommendation: Congress should amend the Food Stamp Act of 1977, as amended, to require recovery of overissuances by reducing monthly benefits of recipient households regardless of the reason for the improper issuance.
Status: Recommendation valid/action not intended.

Recommendation: The congressional legislative and appropriations committees should direct the Secretary of Agriculture to evaluate and inform them of the results of any legislative changes and administrative efforts to improve the identification and collection of overissuances and the potential impact of any additional initiatives being considered in this area.
Status: Recommendation valid/action not intended.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should explore with the states ways in which error-prone profiles could be used, in conjunction with computer matching and other identification techniques, to pinpoint household circumstances which have high error potential so that states' administrative resources can be directed toward corrective actions that will result in maximum benefits.
Status: Action in process. USDA is developing profiles of error-prone households and plans to distribute the profiles to the states to assist them in verifying participants' eligibility. In addition, USDA is developing profiles of the geographic areas that are most error-prone, as required by the 1985 Farm Bill. USDA neither anticipates completing this task in the near future nor has a firm date for doing so.

Housing Assistance and Other Income Supplements

Observations on the National School Lunch Program's Assessment, Improvement, and Monitoring System

RCED, 09/07/83

Background

GAO conducted a survey to obtain information on the operation of the Food and Nutrition Service's (FNS) Assessment, Improvement, and Monitoring System (AIMS), which it implemented under interim regulations which established four standards to improve the management of the National School Lunch Program and ensure correct claims for federal program reimbursement. These standards provide that: (1) applications must be correctly approved or denied; (2) the number of meals claimed by each school must be no more than the number of children correctly approved in each school; (3) school recording systems must yield correct claims for reimbursement; and (4) meals must provide the required food components.

Findings

In the four states which GAO visited, GAO found that the local school food authorities failed to meet the first performance standard because they had more than the 10-percent error tolerance level allowed for invalid applications. In addition, GAO found that the follow-up review requirements for schools found to be not in compliance may be too lenient. Schools may fail to meet a performance standard and not be subject to another review for years. GAO found that none of the four states elected to require restitution for inaccurate meal counts on the basis of initial reviews, even though restitution was required. GAO found the second performance standard to be overly lenient as a measure of whether free and reduced-price lunch counts were excessive. In addition, GAO found that the third standard was not consistently applied. Furthermore, GAO found that the fourth performance standard does not ensure that the quantities served to each student comply with the regulations. Finally, GAO found that there is a need for a performance standard covering verification of information on applications, since ineligible children receive free meals because of inaccurate reporting of family income or size.

Open Recommendations to Agencies

Recommendation: The Administrator, FNS, should consider requiring states to take financial action against school food authorities that do not meet the first performance standard that applications for free and reduced-price meals must be correctly approved or denied, perhaps based on a sliding scale depending upon the extent to which the percent or number of invalid applications exceeds the tolerance set.

Status: Action in process. Estimated completion date: 03/88. FNS is analyzing data on the incidence of invalid applications for fiscal year (FY) 1987. Using these data, it will consider options for implementing this recommendation.

Recommendation: The Administrator, FNS, should consider setting a lower tolerance for the National School Lunch Program's first performance standard, because the 10-percent tolerance seems high compared with error-rate tolerances established for the Food Stamp Program.

Status: Action in process. Estimated completion date: 03/88. FNS is analyzing data on the number of school food authorities exceeding the 10-percent tolerance for FY 1987. Based on these data, FNS will examine the appropriateness of the 10-percent tolerance level.

Housing Assistance and Other Income Supplements

Need To Foster Optimal Use of Resources in the Special Supplemental Food Program for Women, Infants, and Children (WIC)

RCED-85-105, 09/27/85

Background

GAO reviewed the Special Supplemental Food Program for Women, Infants, and Children (WIC), which the Department of Agriculture's (USDA) Food and Nutrition Service (FNS) operates. GAO attempted to determine how to obtain the maximum benefit from the use of WIC resources, focusing on: (1) the extent to which state and local WIC agencies attempt to target WIC benefits on the basis of need; (2) FNS procedures for targeting WIC benefits; (3) state and local WIC agencies' verification of applicants' eligibility for benefits; (4) the impact of FNS and state agency fund allocation procedures on state and local program operations and benefits targeting; and (5) opportunities to improve targeting, fund allocation, and eligibility determination procedures to maximize the beneficial impact of WIC resources.

Findings

GAO found that: (1) while WIC benefits targeting is important because WIC is not an open-ended entitlement and some eligible beneficiaries may not be served, FNS has not emphasized targeting as a major policy objective, encouraged states to emphasize targeting, or assessed targeting performance in its evaluations of state and local program administration; (2) WIC agencies are only required to target benefits when they reach the highest participation level that available funds will support; (3) in states with no targeting programs, fewer than half of the WIC beneficiaries were in the eligible groups considered most needy; and (4) FNS allows state WIC agencies to establish their own nutritional risk eligibility criteria and does not require uniform nutritional risk criteria. GAO also found that: (1) FNS has not established uniform guidance for documenting and verifying applicants' income and family size; (2) state and local procedures for documentation and verification of income eligibility are not always sufficient to ensure that only eligible individuals receive benefits; and (3) state and local agencies rarely verify the accuracy of unsupported income information provided by WIC applicants. In addition, GAO found that: (1) variable funding actions have caused instability in program growth; and (2) this instability, combined with FNS changes in funding allocations formulas and the FNS legal obligation to recover and reallocate unspent WIC funds in any given fiscal year, has created pressures against targeting and effective case-load management at the state and local level.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should require FNS to undertake and support appropriate targeting initiatives and demonstration projects aimed at developing and testing a variety of targeting tools and strategies that can be used by state and local WIC agencies.
Status: Action in process. Estimated completion date: 10/88. USDA has research ongoing to develop strategies that can be used by state and local WIC agencies. The research is to be completed by fiscal year (FY) 1989. Based on the results, FNS will provide technical assistance to improve states' targeting efforts.

Recommendation: The Secretary of Agriculture should require FNS to seek the advice and assistance of experts in the field of nutrition and related health sciences in evaluating the role of dietary assessment in WIC, particularly as it relates to assessing nutritional risk, and work with those at the forefront of nutrition research to develop dietary screening and assessment techniques appropriate for use in the WIC certification process.
Status: Action in process. Estimated completion date: 10/88. USDA is considering this recommendation, but does not anticipate taking action during FY 1988.

Recommendation: The Secretary of Agriculture should require FNS to promulgate regulations requiring documentation of the sources and amounts of WIC applicant-reported income and family size. Copies of applicant-provided income documentation, such as pay stubs, voluntarily provided tax records, and

unemployment compensation checks, should be retained in each case file or, when this is not feasible, should be described in detail in the case file. To document family size, documents such as federal or state income tax returns, employee benefit policies, health or life insurance policies, court or church records, or, in the absence of these, applicant affidavits would seem acceptable. For applicants who could be accepted as income-eligible for WIC on the basis of reported participation in some other qualifying benefit program, evidence of current participation should be required.
Status: Action taken not fully responsive. WIC research is ongoing. USDA did a study on income eligibility verification that addresses states practices to ensure proper income verification. FNS is providing direction to states to adopt better management practices regarding this issue, but has not promulgated regulations requiring documentation of participant's income and family size, as recommended.

Other Income Security

Social Security: Pension Data Useful for Detecting Supplemental Security Payment Errors

HRD-86-32, 03/12/86

Background

GAO evaluated the Social Security Administration's (SSA) computerized employment pension income data base to determine its potential usefulness in detecting payment errors in the Supplemental Security Income (SSI) Program.

Findings

Based on its sample results, GAO estimated that, in December 1983: (1) 35,112 SSI cases received pension incomes; and (2) SSA overpaid 6,292 cases a total of $427,200 because it computed benefit payments using incorrect pension income information. At a 95-percent level of statistical confidence, the number of SSI cases receiving unreported or underreported pension incomes could range from 4,915 to 8,053, and the monthly overpayment amounts could range from $266,400 to $588,000. SSA data showed that: (1) most of the cases involved pension-related overpayments that had been occurring for extended periods, some exceeding 10 years; and (2) the 62 overpayment sample cases had accumulated about $170,000 in overpayments. GAO estimated that accumulated overpayments for such SSI cases in December 1983 could total $17.2 million.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Acting Commissioner of Social Security to attempt to determine what caused the payment errors and whether corrective actions can be taken to prevent their recurrence.
Status: Action in process. HHS plans to determine payment error causes and, where feasible, develop corrective actions to prevent recurrence by evaluating a sample of the cases identified in the December 1986 match.

Other Income Security

Child Support: Need To Improve Efforts To Identify Fathers and Obtain Support Orders

HRD-87-37, 04/30/87

Background

GAO reviewed the Department of Health and Human Services' (HHS) Child Support Enforcement Program to determine: (1) if states' efforts to determine paternity and obtain support orders for children who receive Aid to Families with Dependent Children (AFDC) are adequate; (2) whether the data compiled are sufficient for program oversight; and (3) the potential impact of recent legislative amendments to the program.

Findings

GAO found that 42 percent of the children receiving AFDC who needed paternity determinations did not receive them because: (1) AFDC agencies did not refer all cases to child support agencies; or (2) child support agencies did not open cases, closed them prematurely, or did not work on open cases for 6 months. GAO also found that: (1) state case-tracking and monitoring systems and closure criteria were ineffective; (2) local agencies concentrated on cases offering the highest collections; (3) there are no federal standards to assess agencies' effectiveness in determining paternity and obtaining support orders; and (4) the HHS Inspector General has not reviewed the program's management. In addition, GAO found that: (1) 49 states felt that the 1984 Child Support Enforcement Amendments would help in collecting and enforcing support payments; (2) 20 felt they would help in determining paternity; and (3) 29 felt they would help in obtaining support orders.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should require the Director, Office of Child Support Enforcement (OCSE), to improve state efforts to determine paternity and establish support orders by taking appropriate steps to ensure that AFDC agencies refer cases and child support agencies open cases and pursue paternity and support orders as required by federal law and regulation.
Status: Action in process. OCSE plans to develop and issue regulations covering quantitative and qualitative service delivery standards, including quality and timeliness of actions on establishing paternity and support awards.

Recommendation: The Secretary of Health and Human Services should require the Director, OCSE, to improve state efforts to determine paternity and establish support orders by developing case closure criteria and providing guidance and assisting states in developing case-tracking and monitoring systems for local child support agencies to ensure that cases do not go unattended for long periods, and that efforts to determine paternity and obtain support orders and provide other assistance are adequate.
Status: Action in process. OCSE plans to develop case closure regulations and changes to audit regulations to ensure that cases are not closed prematurely. States not adequately tracking and monitoring cases, compared to case closure criteria and functional performance standards, will be subject to an audit penalty.

Recommendation: The Secretary of Health and Human Services should require the Director, OCSE, to improve state efforts to determine paternity and establish support orders by developing and implementing performance standards for determining paternity and obtaining support orders and auditing local agencies to determine whether these standards are followed. Such audits should include an assessment of the sufficiency of staff, as specified by federal regulations.
Status: Action in process. While OCSE does not have specific state staffing mandates, it believes that its revised performance requirements will encourage states to take appropriate measures in the area of staffing.

Recommendation: The Secretary of Health and Human Services should require the Director, OCSE, to improve state efforts to determine paternity and establish support orders by assessing the OCSE program audit and oversight operations and capabilities and recommending needed improvements to the Secretary.
Status: Action in process. OCSE plans to continue assessing the current audit system and revise audit regulations to expedite such work, and is hiring additional auditors.

Recommendation: The Secretary of Health and Human Services should require the Director, OCSE, to improve

state efforts to determine paternity and establish support orders by continuing efforts to obtain accurate data from the states on paternity determinations and support orders and expanding the reporting requirements to obtain data on the states' performance of these tasks to enable OCSE to decide whether congressional intent for the program is being met, and to aid in fulfilling HHS oversight responsibilities.

Status: Action in process. OCSE has corrective action underway in a number of states and expanded state reporting requirements.

Recommendation: The Secretary of Health and Human Services should request that the HHS Inspector General (IG) review the operations of the Child Support Enforcement Program to provide needed assurance that Congress and agency top management are regularly informed of OCSE management problems.
Status: Action not yet initiated. Although no action has been taken on this recommendation, HHS IG urged that legislation be proposed to transfer the OCSE audit function and staff to the Office of the Inspector General.

Other Income Security

Social Security: Opportunities To Improve Productivity at Program Service Centers

GGD-87-54, 05/22/87

Background

Pursuant to a congressional request, GAO examined productivity at six Social Security Administration (SSA) program service centers (PSC).

Findings

SSA management recognized the need to improve and institutionalize productivity and required PSC directors to conduct at least one new project a year, which was quantifiable in terms of monetary or work-year savings, to improve productivity. However, GAO found that the productivity variations among PSC indicated needed improvements in productivity management, specifically: (1) managerial responsibility for setting and meeting productivity improvement goals; (2) meaningful measures to assess performance and facilitate needed improvements; and (3) procedures to identify ways to reduce costs and improve operations. GAO concluded that management could make greater use of existing performance data to enhance PSC productivity efforts and save costs by utilizing opportunities for folderless processing and implementing local computer applications at all PSC.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to hold managers accountable for achieving specific productivity improvement goals through establishing such goals in merit pay plans and Senior Executive Service contracts.
Status: Action not yet initiated. The Department of Health and Human Services (HHS) concurred with the concept of this recommendation, but stated that there are presently limitations in the PSC management information system that preclude the data from being used to hold managers accountable.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to develop and apply productivity measures at the module level so that module managers are held accountable for achieving specific productivity improvement goals.
Status: Action in process. SSA is in the process of exploring the feasibility of collecting such data in an efficient and cost-effective manner.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to use existing productivity data to: (1) identify which organizational elements are operating inefficiently and which products those organizational elements are inefficiently processing; and (2) expand employee involvement in the productivity effort by encouraging maximum employee participation and interest.
Status: Action in process. SSA agreed that existing productivity data should be used to identify areas where productivity could be improved. SSA is taking action to improve PSC information and plans to analyze productivity variations to

determine causes of the variations and take appropriate action to correct them.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to ensure that beneficiary records folders are not retrieved and forwarded to benefit and claims authorizers for actions which do not require the use of folders.

Status: Action in process. SSA has begun a major initiative to implement folderless processing. The project also involves reducing: (1) the number of documents in claims files; (2) inactive folder storage; and (3) folder access and movement.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner of Social Security to require the expanded use of locally developed computer programs.
Status: Action in process. SSA is compiling lists of locally developed computer programs, which will be updated periodically and distributed to all PSC. Monthly reports will be used to monitor local programming activity and standardize use among PSC.

Other Income Security

Welfare and Taxes: Extending Benefits and Taxes to Puerto Rico, Virgin Islands, Guam, and American Samoa

HRD-87-60, 09/15/87

Background

Pursuant to a congressional request, GAO analyzed the potential effects of fully extending Supplemental Security Income (SSI), Aid to Families with Dependent Children (AFDC), Medicaid, foster care, Child Support Enforcement, and Food Stamp benefits, and federal income taxes, to Puerto Rico, the Virgin Islands, Guam, and American Samoa.

Findings

GAO found that: (1) federal costs would increase due to higher benefits, more recipients, and greater cost-sharing; (2) area SSI and Medicaid costs would decrease because of changing program burdens and more restrictive eligibility criteria; (3) federal tax revenues would increase in the short term, but might decrease over time because of lost business tax incentives; (4) area corporate and income tax revenues would decrease; and (5) area officials generally supported extending most program benefits, but opposed extending federal income taxes.

Open Recommendations to Congress

Recommendation: Should Congress endeavor to make changes in the programs or taxes, it may wish to consider extending one program at a time to an area or subarea on an experimental basis, and determining the actual costs and the extent and nature of other effects.
Status: Action not yet initiated.

Recommendation: Should Congress endeavor to make tax changes, it may wish to consider gradually increasing taxes, such as by partially reducing section 936 credits, to raise revenue to cover the cost of extending welfare programs. In addition, should Congress consider extending U.S. income taxes to area residents and corporations, it may wish to assess the propriety of such actions in view of the issues raised by area officials.
Status: Action not yet initiated.

Unemployment Compensation

Need To Improve Internal Controls To Curtail Fraud and Abuse in the RRB Unemployment and Sickness Insurance Program

HRD-85-37, 02/27/85

Background

GAO assessed the Railroad Retirement Board's (RRB) controls for preventing and detecting fraud and abuse in its Unemployment and Sickness Insurance (SI) Program.

Findings

The program paid out about $1.4 billion in benefits during the last 5 years to 1 million qualified rail workers who became unemployed or were absent from work due to sickness. GAO found that, although 38 states collect wage records against which RRB could detect instances of persons working in nonrail employment while collecting unemployment or sickness benefits, RRB does not attempt to make such detections. Further, RRB does not have procedures to notify a rail employer that a claimant has filed for unemployment benefits. GAO also found that RRB makes no attempt to identify the prevalent problem of employees' claiming benefits using another person's record. GAO noted that RRB internal controls over sickness claims are also vulnerable to fraud or abuse.

Open Recommendations to Agencies

Recommendation: RRB should, if it finds that implementation is feasible and cost-beneficial, require, as a minimum, some form of additional control to verify sickness claims.

Status: Action in process. Estimated completion date: 03/88. Procedures to verify physicians' tax ID numbers were made part of the RRB Medical Information Improvement Project, which includes new disability forms and other SI claims control procedures. Implementation of the project was delayed because of priority project income tax reporting. Implementation is now scheduled for March 1988.

Internal Controls: State's Controls Over Personal Property Management Are Inadequate

NSIAD-87-156, 06/10/87

Background

GAO evaluated the effectiveness of the Department of State's internal controls over personal property and its adherence to regulations concerning such property.

Findings

GAO found that: (1) of the 16 foreign offices it visited, most had not fully and properly taken inventory, and only 1 had adequately reconciled its inventory; (2) of the seven domestic offices it visited, none had properly taken and reconciled inventories; (3) although State has automated management systems at several locations, it has not provided all locations with sufficient guidance and training; and (4) State has not given attention to ensuring that internal controls are adequate. GAO also found that: (1) State's regulations contain insufficient requirements for domestic warehouse operations; (2) its controls over the security of warehouse property are inadequate; and (3) none of State's warehouses had taken or reconciled inventories of all their property in fiscal year 1986.

Open Recommendations to Agencies

Recommendation: The Secretary of State should provide the Central Property Management Office (CPMO) with the necessary resources to carry out its responsibilities, including the establishment of a compliance monitoring program.

Status: Action in process. Estimated completion date: 10/89. State has begun compliance monitoring and this will continue. CPMO staff was increased from two to four positions. Five additional staff positions will be requested in the fiscal year 1989 budget submission. If the budget is approved, the slots would be filled by October 1989.

Recommendation: The Secretary of State should direct other offices to participate as needed in a compliance monitoring program.

Status: Action in process. Regulations were drafted which would require other offices to participate in compliance monitoring, but the issue date is uncertain.

Recommendation: The Secretary of State should ask the Inspector General (IG) to provide CPMO with copies of all audit and inspection reports that discuss compliance with personal property management regulations.

Status: Action in process. CPMO is sending IG a follow-up request that he provide the reports.

Recommendation: The Secretary of State should direct the Under Secretary for Management to implement a new mechanism that would ensure that property management problems are corrected.

Status: Action in process. Estimated completion date: 10/89. State responded to Congress that a management action plan to ensure problem correction will be fully implemented by October 1989.

Recommendation: To further strengthen property management controls and facilitate an automated control system, the Secretary of State should direct CPMO to develop a training program on managing and controlling nonexpendable personal property, with special attention to problems in establishing a nonexpendable property application (NEPA).

Status: Action in process. Estimated completion date: 12/87. Property management, part of the general services course at the Foreign Service Institute is being revised to accomplish this. The expected completion date is December 1987.

Recommendation: To further strengthen property management controls and facilitate an automated control system, the Secretary of State should direct CPMO to develop a NEPA implementation guide and a monitoring mechanism that will identify when direct assistance is needed and when systems are fully operational.

Status: Action in process. Estimated completion date: 10/89. A computer-based on-screen software training implementation guide will be developed, as well as an implementation monitoring and reporting system. Completion is expected by October 1989.

Recommendation: The Secretary of State should direct the Under Secretary for Management to immediately correct the physical security problems found at domestic warehouses.

Status: Action in process. Estimated completion date: 10/88. A security review was performed, with some action being taken immediately. A few actions requiring time and funding are planned to be completed by October 1988.

Recommendation: The Secretary of State should direct CPMO to develop, for inclusion in the Foreign Affairs Manual, specific guidance and regulations sufficient to ensure adequate internal controls over domestic warehouse operations and to monitor compliance with the regulations.
Status: Action in process. Estimated completion date: 10/88. This guidance is planned for development and inclusion in the Foreign Affairs Manual by October 1988.

Recommendation: The Secretary of State should identify the management control weaknesses found at domestic warehouses in the next annual Financial Integrity Act (FIA) report to the President and Congress, including actions taken and planned for correcting the weaknesses. The actions and plans should address the specific responsibilities of each warehouse organization and establish responsibility and authority for ensuring the adequacy of internal controls in operation at State's domestic warehouses.
Status: Action in process. Estimated completion date: 12/87. State plans to reflect the actions taken and planned in its December 1987 FIA report to the President and Congress.

Conduct of Foreign Affairs

Key Issues Concerning Department of State's New Financial Management Centers

NSIAD-85-97, 06/05/85

Background

Pursuant to a congressional request, GAO reviewed the Department of State's efforts to establish financial management centers (FMC) overseas, including: (1) the adequacy of transition plans for integrating the new centers with the existing regional centers; (2) the effect of personnel and equipment problems on establishing the new centers; and (3) the costs associated with establishing the new centers.

Findings

GAO found that: (1) the plans to implement the new financial management system did not address how currency buying will be carried out and how staffing reassignments will be handled; (2) overall costs to open FMC have been understated; and (3) State has not yet decided which overseas posts FMC will service and which posts regional administrative management centers (RAMC) will service. GAO also found that: (1) State increased its efforts to recruit and train sufficient personnel to staff new FMC; (2) the lack of availability of repair parts and service personnel for computer equipment affected operations; and (3) cost-benefit analyses performed early in the program may not be valid because the system's design has been changed numerous times.

Open Recommendations to Agencies

Recommendation: The Secretary of State should direct the Under Secretary of Management to resolve which posts FMC will service and which posts RAMC will service and determine how the smaller posts will receive maximum benefits.
Status: Action in process. State established which posts RAMC and FMC will service. State recently started design work for a system to provide smaller posts with the benefits of the new Financial Management System.

Recommendation: To ensure that FMC will have the necessary resources and operational capabilities, the Secretary of State should direct the Under Secretary for Management to quantify the need for and availability of qualified budget and fiscal officers, relate shortfalls to recruiting and training plans, and take appropriate action where needed.
Status: Action in process. State continues to hire financial management specialists and give a course for disbursing officers. State currently has enough people on board to staff essential positions, but it needs more expertise and training, according to State officials.

Recommendation: To ensure that FMC will have the necessary resources and operational capabilities, the Secretary of State should direct the Under Secretary

for Management to update foreign service national classification standards to reflect work performed at FMC.
Status: Action in process. The classification standards have been revised and are with the foreign affairs agencies for comment. Implementation is expected in the spring of 1988.

Recommendation: The Secretary of State should identify and track the total costs of FMC development.
Status: Action in process. State is currently planning to: (1) implement functional coding for Foreign Affairs Administrative Support services; and (2) sign a contract to help track the costs of installing a FMC at a particular location.

Recommendation: The Secretary of State should reevaluate the costs and benefits of FMC as implementation progresses.
Status: Action in process. A systems accountant is now on board, and State is in a better position to reevaluate the costs and benefits of each FMC. However, State officials advised GAO that such a reevaluation has not yet been undertaken.

Recommendation: The Secretary of State should determine whether the local disbursing capability is needed and cost-effective at all 20 designated FMC.
Status: Action in process. While State believes that it is necessary to keep the disbursing and accounting functions together, at the same time it lacks cost information to determine whether it is cost-effective. State officials advised GAO to keep this recommendation open because they are hopeful that some corrective action may be taken by mid-1988 to reduce the cost of disbursing.

Conduct of Foreign Affairs

Department of State's Progress in Implementing the Federal Managers' Financial Integrity Act

NSIAD-85-135, 09/25/85

Background

GAO reviewed the Department of State's compliance with the Federal Managers' Financial Integrity Act of 1982 (FIA) to assess: (1) whether actions taken as a result of the act are improving internal control and accounting systems; (2) its progress in implementing a program for evaluating systems of internal control; and (3) the reasonableness of State FIA reports.

Findings

GAO noted that State is making progress toward correcting reported internal control weaknesses; however, it has not made adequate progress in correcting long known weaknesses and accounting deficiencies related to personal property management. GAO found that: (1) the 1984 report on accounting systems stated that the systems were not in conformance with the Comptroller General's requirements; (2) areas excepted from the report on internal controls were of major importance to State operations; (3) the FIA implementation program has not resulted in detailed evaluations and tests of all systems of internal control; (4) effective action has not been taken to correct accounting and internal control weaknesses in personal property management; and (5) specific problems were not listed in the FIA report, but the report made reference to the problems and characterized them as minor accounting deficiencies. GAO also found that: (1) controls over personal property management were not adequate because of the lack of a departmentwide system for managing and accounting for property; (2) State failed to perform physical inventories at all locations and reconcile the inventories to financial records; (3) some vulnerability assessments and internal control reviews were not completed and analyzed by the year's end; and (4) no formal requirements exist to review the reasonableness of proposed corrective actions or to test and evaluate their effectiveness after implementation.

Open Recommendations to Agencies

Recommendation: To correct accounting conformance problems and improve internal controls in this area, the Secretary of State should direct the Under Secretary for Management and the Assistant Secretary for Administration and Security to design and implement, at all domestic and foreign locations, a personal property accounting system that will conform to the Comptroller General's requirements.

Status: Action in process. Estimated completion date: 12/89. State has begun to distribute software for an automated personal property management system. State plans to develop and implement the general ledger portion of its financial management system by 1989.

Conduct of Foreign Affairs

Export Promotion: Activities of the Commerce Department's District Offices

NSIAD-86-43, 02/14/86

Background

Pursuant to a congressional request, GAO reviewed the mission, activities, and effectiveness of the Department of Commerce's district offices.

Findings

GAO noted that: (1) the primary goal of district offices is to assist small firms in developing their export potential; (2) in recent years, district offices have devoted an increased portion of their resources to assisting businesses in complying with export control regulations; and (3) Commerce tracks its success by measuring how many new exports take place as a result of district office counseling and other assistance. GAO found that: (1) district offices were not as effective in influencing businesses to enter new export markets as their reported accomplishments suggested; (2) only 38 percent of the firms surveyed found that export counseling was somewhat influential in making decisions to export in new markets; and (3) there was insufficient control over the accuracy of district office reporting. GAO also found that: (1) district offices tightened controls over reporting and revised the criteria for measuring success in developing new exporters or markets; (2) the firms assisted by the district offices did, for the most part, find the help useful; and (3) although Commerce tries to measure the effectiveness of its export promotion efforts by reporting export accomplishments, it cannot measure the usefulness or value of facilitating exports to established markets.

Open Recommendations to Agencies

Recommendation: To better evaluate the United States and Foreign Commercial Service's (US&FCS) contributions in developing new exporters and new markets and the value of its export facilitation assistance, the Director General, US&FCS, should periodically survey the businesses that are helped by the district offices to obtain their perceptions of the value of the services received.

Status: Action in process. The International Trade Administration (ITA) drafted a survey instrument and is seeking Office of Management and Budget (OMB) approval to conduct the survey. This will be difficult due to the cuts in Commerce's information collection budget by OMB.

Conduct of Foreign Affairs

Embassy Contracting: Contracts With Employee Associations Should Be Terminated

NSIAD-86-57, 03/18/86

Background

Pursuant to a congressional request, GAO reviewed: (1) the extent to which U.S. embassies enter into contracts with employee associations to provide commissary, restaurant, and recreational facilities; (2) the rationale for using associations as contractors; and

(3) the appropriateness of these arrangements.

Findings

GAO noted that: (1) because of the limits placed on the number of embassy employees, foreign service posts increasingly turn to contract personnel to provide commercial services; and (2) Department of State procurement regulations authorize posts to enter into nonpersonal service contracts as long as the government does not directly supervise the performance of work or reserve the right of selection of individual employees. GAO found that: (1) some embassy service contracts did not follow federal procurement regulations; (2) employee associations were making unauthorized profits on service contracts; (3) association accounting systems were deficient with respect to contract activities; (4) most contracts involved personal service, which established unauthorized employer/employee relationships between the government and contract personnel; (5) embassy personnel were performing certain functions that were the responsibility of the employee association; (6) day-to-day supervision of contract employees was a prime responsibility of permanent embassy personnel; and (7) in most cases, service contracts did not describe the tasks required, how often the tasks should be done, or the appropriate staffing levels. GAO also found that State has taken action to increase its oversight of association activities, but its efforts to remedy association contracting problems have been insufficient to correct contracting deficiencies.

Open Recommendations to Agencies

Recommendation: The Secretary of State should direct Department and post officials to recover the funds remaining in the contingent liability accounts related to these contracts and take appropriate actions to return these funds to the U.S. Treasury following the termination of service contracts between the embassies and the associations.
Status: Action in process. A GAO legal opinion did not agree with State's plan to pool the remaining contingent funds into a separate state account. This opinion reaffirmed the report's position that such funds should be returned to the Treasury. State is studying various options to comply.

Recommendation: The Secretary of State should direct embassy officials to take action necessary to recover unauthorized profits paid to employee associations after July 1985.
Status: Action in process. To date, State has recovered unauthorized profits amounting to about $66,000. More is expected.

Conduct of Foreign Affairs

International Trade: Strengthening Trade Law Protection of Intellectual Property Rights

NSIAD-86-150, 08/13/86

Background

GAO recommended ways to strengthen section 337 of the Tariff Act as a means for U.S. firms to protect their intellectual property rights against counterfeit and infringing imports.

Findings

GAO believes that, in order for section 337 to be more effective, Congress needs to: (1) increase access to section 337 relief by eliminating or redefining the statutory criteria for obtaining relief; (2) direct the International Trade Commission (ITC) to speed relief when complainants need expedited government assistance and when no respondents participate in the proceedings; (3) clarify ITC authority to issue both exclusion orders and cease-and-desist orders to remedy the same unfair trade practice; and (4) strengthen the U.S. Customs Service's ability to enforce section 337 exclusion orders.

Open Recommendations to Congress

Recommendation: Congress should amend section 337 of the Tariff Act of 1930 for cases involving intellectual property rights to: (1) eliminate the requirement that a complainant be efficiently and economically operated; (2) eliminate the domestic industry requirement; and (3) redefine the injury requirement so that ownership of a valid and enforceable U.S. intellectual property right and proof of infringement

by imports is sufficient to meet the injury test.
Status: Action in process.

Recommendation: Congress should amend section 337 of the Tariff Act of 1930 for cases involving protection of intellectual property rights to require ITC, at the request of the complainant, to make temporary relief effective within 10 days of a judge's affirmative initial determination on temporary relief, while requiring the complainant to post bond, unless it finds that such action would be contrary to the public interest. ITC may then review the initial determination in accordance with its current procedures.
Status: Action in process.

Recommendation: In cases where no respondents participate, Congress should amend section 337 of the Tariff Act of 1930 for cases involving protection of intellectual property rights, to require ITC, at the request of the complainant, to provide interim relief if: (1) the facts, as set out in the complaint, supporting documents, and other information available to ITC, demonstrate that a violation of section 337 is likely to have occurred; and (2) the provision of interim relief is not deemed contrary to the public interest. Congress should also require ITC to make its determination on permanent relief no later than 6 months from the date all respondents are officially determined to be in default, not to exceed 12 months from the date ITC instituted the investigation.
Status: Action in process.

Recommendation: Congress should amend section 337 of the Tariff Act of 1930 for cases involving protection of intellectual property rights to clearly authorize ITC to issue both exclusion orders and cease-and-desist orders to remedy the same unfair trade practice.
Status: Action in process.

Recommendation: Congress should amend section 337 of the Tariff Act of 1930 for cases involving the protection of intellectual property rights to authorize ITC to direct the U.S. Customs Service to seize counterfeit or infringing goods when there is evidence that a firm or firms have on more than one occasion attempted to bring such goods into the country in knowing violation of exclusion orders.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Secretary of the Treasury should instruct the Commissioner of Customs to intensify Customs efforts to enlist the support of firms that have obtained exclusion orders in identifying shipments containing counterfeit or infringing products, possibly by providing an informational brochure or similar document to firms initiating section 337 proceedings.
Status: Action not yet initiated. Customs has not decided what action, if any, should be taken to implement this recommendation. Some agency officials believe that Customs' present efforts to enlist the support of firms that have received exclusion orders is adequate.

Conduct of Foreign Affairs

International Trade: Combating Unfair Foreign Trade Practices

NSIAD-87-100, 03/17/87

Background

Pursuant to a congressional request, GAO provided information on the dispute settlement process under section 301 of the Trade Act of 1974, focusing on: (1) success in remedying U.S. trade complaints; and (2) experiences of section 301 petitioners. Under the act, the Office of the U.S. Trade Representative (OUSTR) may begin negotiations on its own or in response to a complaint; if the negotiations are unsuccessful, the President may invoke dispute settlement procedures under international trade agreements, such as the General Agreement on Tariffs and Trade (GATT), or take retaliatory action against an unfair foreign trade practice.

Findings

GAO found that: (1) section 301 cases generally took a long time to resolve, averaging 45 months for GATT-related cases and 13 months for non-GATT-related cases; (2) the average will ultimately be longer because GAO included a number of unresolved cases in its review; and (3) with one exception, U.S. practice has been to allow the

GATT dispute resolution process to conclude before initiating further action. GAO also found that: (1) many petitioners expressed dissatisfaction with the length of the GATT dispute settlement process, and petitioners generally advocated stricter settlement time frames; (2) many petitioners indicated that they would not use the section 301 process again; (3) petitioners also complained about the development of evidence, the political commitment to resolve trade disputes, and the long-range impact of negotiated settlement agreements; (4) relatively few section 301 cases resulted in the elimination of unfair trade practices; and (5) most petitioners felt that the resolution of their case did not remedy the injury they suffered from unfair trade.

Open Recommendations to Congress

Recommendation: Congress should amend section 301 of the Trade Act of 1974 to require that OUSTR set a date for each section 301 case involving GATT, at which time the United States would be expected to withdraw from the GATT dispute settlement process if it were not completed. The statute should give OUSTR some flexibility in setting the required limit on participation, based on the complexity and sensitivity of each case.
Status: Action in process.

Conduct of Foreign Affairs

International Trade: Review of Effectiveness of FAS Cooperator Market Development Program

NSIAD-87-89, 03/17/87

Background

In response to a congressional request, GAO reviewed the effectiveness of the cooperator programs that the Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) implemented to develop, maintain, and expand foreign markets for U.S. agricultural commodities.

Findings

GAO found that FAS has: (1) allowed cooperators to implement numerous and varied long-term programs and has placed few restrictions on the funding a cooperator can receive for a program; (2) not established criteria to help cooperators focus on opportunities for market development or expansion; (3) not critically assessed program results; (4) failed to evaluate programs sufficiently to determine which market development activities are effective or which need refining or terminating; (5) established guidelines that encourage, but do not require, cooperators to contribute annual amounts equal to the FAS funds; and (6) defined cash, goods, and services contributions inaccurately, conveying the impression that cooperators participated more fully in financing marketing activities than they actually did.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Administrator, FAS, to clarify the cooperator program goal of developing, maintaining, or expanding U.S. markets. In doing so, FAS should consider establishing limits on total funding levels and time frames for individual cooperator programs and whether the preponderance of federal funds should be devoted to market maintenance or market development activities. In this connection, FAS should keep the appropriate congressional committees informed of, and seek their support for, its progress in clarifying the program goal.
Status: Recommendation valid/action not intended. USDA disagreed with the GAO position and supports its existing approach.

Recommendation: The Administrator, FAS, should also consider establishing a transition program whereby FAS and cooperators equally share initial market development costs and, depending on the criteria established pursuant to the first recommendation, determine if and when cooperators will assume the larger share of program costs, and eventually assume total responsibility for specific market development activities.
Status: Recommendation valid/action not intended. FAS disagreed with this recommendation and supported continuation of its current approach.

Recommendation: The Secretary of Agriculture should direct the

Administrator, FAS, to continue efforts to measure program results to help determine the usefulness of activities under the cooperator programs. An area where efforts should be focused is the measurement of short-term performance against program objectives. For example, if a program is undertaken to raise consumer awareness about a certain U.S. agricultural product, it would be appropriate to measure the change in consumer attitudes when the program is completed.

Status: Action in process. GAO is working with USDA to develop an improved evaluation methodology.

Recommendation: The Secretary of Agriculture should direct the Administrator, FAS, to revise guidelines to define all program contributions based on the source of contribution, rather than on the type of asset contributed.
Status: Recommendation valid/action not intended. USDA disagreed with the GAO interpretation of its approach.

Recommendation: The Secretary of Agriculture should direct the Administrator, FAS, to determine the extent to which the program is receiving improper, inflated, or misleading reports on cooperator contributions and, if significant, to use its various reviews to enforce compliance with FAS criteria.
Status: Recommendation valid/action not intended. USDA disagreed with this recommendation, and therefore, does not intend to take any corrective action.

Conduct of Foreign Affairs

Export Controls: Assessment of Commerce Department's Foreign Policy Report to Congress

NSIAD-87-176, 07/23/87

Background

Pursuant to the Export Administration Amendments Act of 1985, GAO reviewed the Department of Commerce's reports to Congress on export controls to assess Commerce's compliance with statutory requirements.

Findings

GAO found that: (1) Commerce reported to Congress on the purpose of export controls, their compatibility with foreign policy, other nations' reactions, economic impacts, enforceability, and other information; (2) the reports met the act's requirements; (3) the reports addressed the issue of symbolic, largely unenforceable export controls intended to meet other foreign policy objectives; and (4) the reports did not adequately discuss the controls' enforceability.

Open Recommendations to Agencies

Recommendation: With respect to section 6(b)(1)(E) of the 1979 act, as amended, the Secretary of Commerce should include in future reports to Congress readily available information on the U.S.-origin share of the existing worldwide inventory of controlled items and related enforcement efforts and problems.
Status: Action in process. Estimated completion date: 01/88. Commerce stated that it intends to carry out this recommendation. The extent of its actions will be apparent in January 1988, when Commerce issues its latest report.

Recommendation: With respect to section 6(b)(1)(E) of the 1979 act, as amended, the Secretary of Commerce should include in future reports to Congress a description of all known or suspected diversions identified during the prior year, including analyses of how they occurred, remedial actions taken, expectations as to the prospects for preventing future diversions, and an assessment of the government's capability to be knowledgeable of such diversions.
Status: Action in process. Estimated completion date: 01/88. Commerce stated its intentions to carry out this recommendation. The extent of its actions will be apparent in January 1988, when Commerce issues its report.

Conduct of Foreign Affairs

International Trade: Commodity Credit Corporation's Refunds of Export Guarantee Fees

NSIAD-87-185, 08/19/87

Background

In response to a congressional request, GAO reviewed the Commodity Credit Corporation's (CCC) export credit guarantee fee refund policies and procedures to determine why it failed to refund a firm over $270,000 in failed export sales.

Findings

GAO found that: (1) the CCC denial of the firm's refund request was consistent with its policy to retain guarantee fees when exporters do not have a firm sale at the time they obtain coverage; (2) CCC determined that the firm had obtained coverage in anticipation of a later sale, since the firm could not demonstrate that it had a firm export sale; (3) although CCC claimed to have informed the exporter that a firm sale was required and that the fees were nonrefundable, CCC could not ensure that the exporter understood those policies when it applied for coverage; (4) CCC incurred financial risk, since the guarantee never became effective; and (5) it was not clear that CCC provided adequate information to the exporter.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the General Sales Manager, Foreign Agricultural Service, to amend the credit guarantee program regulations to: (1) clarify the circumstances that must exist for users to obtain credit guarantee application approvals, including the need for and definition of a firm sale; (2) provide that users must have a firm sale to be considered for a guarantee fee refund should an export sale not be consummated; and (3) require that program users acknowledge their understanding of the application requirements and refund policy on the guarantee applications.
Status: Action not yet initiated.

Foreign Economic and Financial Assistance

Direct Contracting by the Agency for International Development Can Be Better Managed

NSIAD-84-108, 07/09/84

Background

In response to a congressional request, GAO examined certain aspects of the Agency for International Development's (AID) management of direct contracting, including: (1) the extent of competition; (2) the adequacy and clarity of scopes of work issued by AID; (3) the extent to which overhead rates and other indirect costs are validated and efforts made to minimize them; (4) the extent to which the numbers and technical proficiency of contractor personnel and associated costs are held at the minimum levels necessary; and (5) the adequacy of AID monitoring and reporting of contractor progress.

Findings

For fiscal year 1982, AID reported $16.8 million in noncompetitive contract awards exceeding $100,000, not including amendments to existing contracts. GAO found that the total original awards increased by 61 percent through amendments. Amendments generally do not require competition; however, the circumstances that prompt the issuance of an amendment may provide an opportunity for competitive procurement instead. GAO also found that the statements of work in 21 of 37 active contracts were vague, which delayed

contract implementation and caused poor accountability. GAO review of selected audits of overhead costs in AID direct contracts indicated that overhead rates were being validated regularly and total questioned costs were not unreasonably high. GAO found that key personnel, promised at the time contracts were awarded, were not available for contract performance, which also resulted in project delays and other detrimental effects. Finally, most contracts which GAO reviewed lacked performance indicators, and contractor progress reports tended to be generalized descriptions of project activities rather than assessments of actual versus planned performance.

Open Recommendations to Agencies

Recommendation: The Administrator, AID, should take action to better quantify, report, and monitor the amount of, and reasons for, amendments and other noncompetitive actions. Actions should include: (1) using computer capabilities to better quantify competitive and noncompetitive procurement actions by bureaus, missions, and offices; (2) using the information so developed to identify trends and monitor changes in competitive and noncompetitive performance and establish goals for improving competitiveness in AID contracting; (3) identifying the factors that contribute to noncompetition, such as inadequate lead time; (4) formulating actions to increase competition, such as requiring project officers to plan adequate time for competition during project design; and (5) implementing and modifying personnel performance standards of project and contracting officers to reduce or eliminate pressures that lead to noncompetitive procurements.
Status: Action in process. Estimated completion date: 02/88. AID established a data base for contract amendments, but has not analyzed the data. In implementing a competition advocacy system, AID has taken other steps to identify factors that contribute to noncompetition and formulate actions for increased competition. AID has assigned staff to perform data analysis. The results are expected in February 1988.

Foreign Economic and Financial Assistance

Financial Management Problems in Developing Countries Reduce the Impact of Assistance

NSIAD-85-19, 11/05/84

Background

GAO determined how the Agency for International Development (AID) and other major donor assistance agencies can better help to identify and meet the financial management training and technical assistance needs of aid recipients.

Findings

GAO found that AID and the other donors have not adopted policies or developed well-articulated and coordinated programs of assistance to improve host countries' financial management systems. The donors have not: (1) analyzed the constraints of financial management as they affect the main sectors of development; or (2) formulated specific policies and programs to address major problem areas. Further, the lack of personnel trained in basic accounting and related financial management functions has adversely affected development program performance in many of these countries.

Open Recommendations to Agencies

Recommendation: The Administrator, AID, should begin a program for financial management assistance that establishes training priorities and mechanisms on a country-by-country basis and in a regional context, if appropriate.
Status: Action in process. Price-Waterhouse has completed a draft report that will be finalized in December 1987. The report's recommendations will be used to formalize the AID strategy statement. The statement will include the other components which AID has agreed to perform.

Foreign Economic and Financial Assistance

Travel Practices: Use of Airline Bonus Coupons and Privately Funded Travel by AID Employees

NSIAD-86-26, 11/29/85

Background

Pursuant to a congressional request, GAO reviewed the Agency for International Development's (AID) procedures for: (1) controlling and using promotional materials such as bonus flight coupons in conjunction with official travel; and (2) avoiding conflicts of interest in connection with official travel funded by private sources.

Findings

The major U.S. airlines have instituted frequent-flyer programs which entitle a person who travels regularly to obtain coupons or accumulate points for bonus travel. However, in a 1981 decision, GAO held that bonus flight promotional awards, which federal employees receive while travelling on official business, cannot be retained since they belong to the government. GAO found that there has been confusion and controversy surrounding the earning, ownership, and use of these awards, and agencies have been slow in developing guidelines and communicating the requirements to their employees. Since the airlines do not provide government agencies with information on what federal employees earn while on official travel, it is difficult to verify that all of the promotional materials earned are turned in to the agencies. Federal employees may accept payment from private sources for travel expenses incurred in carrying out official duties when: (1) it is a nonprofit, tax-exempt organization; and (2) it is paid from a nonfederal source on the agency's behalf. However, under both circumstances, payment of travel expenses should not be accepted if it would pose conflict-of-interest problems. AID recently issued guidelines which require prior written approval for such a trip from the employee's manager and a General Counsel determination that acceptance would not create an apparent conflict of interest. However, since over half of recent privately funded AID trips were not submitted to the General Counsel, GAO believes there is a need to further emphasize its importance.

Open Recommendations to Agencies

Recommendation: The Administrator, AID, should recover the value of the trips made by four AID employees using bonus airline coupons for unofficial travel or travel by their spouses.
Status: Action in process. AID issued bills of collection to the four employees involved. The employees have appealed the collection action to the Comptroller General. The appeals are under review by GAO, along with trips made by a fifth AID employee who was accompanied by a family member using airline bonus awards earned on official travel.

Foreign Economic and Financial Assistance

Caribbean Basin Initiative: Need for More Reliable Data on Business Activity Resulting From the Initiative

NSIAD-86-201BR, 08/29/86

Background

In response to a congressional request, GAO surveyed 285 new businesses in the Caribbean Basin region regarding their operations in Central America and the Caribbean, specifically: (1) how the Department of Commerce developed its list of businesses; (2) the data Commerce obtained on the businesses; and (3) the results of GAO conversations with some of the businesses.

Findings

GAO found that: (1) the Commerce list is not a reliable indicator of business investments made as a result of the Caribbean Basin Initiative (CBI) and, therefore, is useless in measuring the program's effectiveness; (2) the list lacked information on businesses' addresses, phone numbers, and commencement of operation dates; (3) publicized information on successful ventures could inform and encourage potential investors; (4) Commerce's data should differentiate among proposed and actual investments, new firms opened and expanded due to CBI trade provisions, and new business activities indirectly related to CBI, to lessen the risk of misinterpreted or misrepresented information; (5) some firms on the list were not related to CBI trade provisions; and (6) 37 of the 106 firms contacted said CBI had greatly influenced their decisions to establish operations in the Caribbean Basin, while 39 said CBI had not been a factor in their decisions.

Open Recommendations to Agencies

Recommendation: The Secretary of Commerce should ensure that the planned 1986 survey of CBI-related business activity develops reliable data. At a minimum, the data should be: (1) screened to avoid double-counting of firms and to exclude firms that have no relationship to CBI; (2) verified to ensure completeness and accuracy; and (3) analyzed to determine each business' operational status and relationship to CBI.

Status: Action in process. Estimated completion date: 12/87. Commerce accepted this recommendation and plans to implement it in a study of CBI-related investments, which began in early 1987. In coordination with the Agency for International Development, Commerce developed a methodology for the study, which has been approved by the Office of Management and Budget. The study will be completed by the end of 1987.

Foreign Economic and Financial Assistance

Foreign Aid: Improvement Needed in Loan Reporting and Administration

NSIAD-87-2, 10/22/86

Background

In response to a congressional request, GAO reported on economic and military loan and grant aid to foreign countries, focusing on the Agency for International Development's (AID) loan management and reporting.

Findings

GAO noted that: (1) AID did not adequately consider current income levels or future economic prospects of recipients in establishing loan interest rates and repayment periods; (2) recipients of minimum loan terms did not strictly meet statutory criteria; (3) AID provided minimum interest rates to countries with significantly different per-capita incomes; (4) AID accelerated only one country's loan repayments, and did not accelerate loan repayments of some countries with highly developed economies; (5) a number of loan recipients rescheduled their loans, sometimes repetitively, to avoid being in default and cut off from further aid; (6) in 1985, AID provided new loans to several of these countries at the same time that they rescheduled the old loans; (7) AID had not determined the collectibility or realizable value of loans in its portfolio, and had written off few loans; (8) loan data AID and other agencies independently submitted to Congress provided much useful information, but reports had varying formats and classifications which hindered program analysis and, in some respects, the information presented was incomplete and misleading; and (9) Congress may not be fully aware of how debt reschedulings have prevented loan defaults and allowed countries to receive further aid, since AID ceased publishing annual program summaries, including financial statements, of its loan operations in 1979.

Open Recommendations to Agencies

Recommendation: The Administrator, AID, should initiate negotiations with countries which received concessional loans from predecessor agencies, or which have achieved high economic development, and seek agreements on early repayment.

Status: Action in process. AID procedures will be reviewed to ensure consideration of negotiated accelerated repayment of congressional loans to

highly developed countries. No initiation of loan negotiation was reported as of December 1987.

Recommendation: The Administrator, AID, should describe, in the annual report to Congress on foreign assistance, the efforts made to accelerate loan repayments pursuant to requirements of section 127 of the Foreign Assistance Act of 1961.
Status: Action in process. AID will include, when appropriate, a description of its efforts to accelerate loan repayments in the annual report to Congress. An annual report, which was due February 1, 1987, was not published as of December 1, 1987.

Recommendation: The Administrator, AID, should revise AID manual orders to make clear that no Foreign Assistance Act loan, except from the private sector revolving fund, whether to a public or private borrower, may be written off.
Status: Action in process. AID will revise its loan handbook to reflect clearly that section 620(r) of the act prohibits write-off of act loans, with the exception of loans under the private sector revolving fund, as exempted under section 108(c). Action reported to be in process.

Recommendation: The Chairman, Development Coordination Committee (DCC), should provide more information in reporting debt rescheduling activities to Congress, specifically: (1) notifications of proposed reschedulings should state clearly why the rescheduling is necessary and in the U.S. interest; and (2) reports of completed official debt reschedulings should present a more complete picture of how agreements affect U.S. financial interests, including how much and how many times debts owed to U.S. agencies have been rescheduled and the prospects for collecting rescheduled receivables.
Status: Action not yet initiated. The Chairman's report, which was due on February 1, 1987, was not published as of December 1, 1987.

Recommendation: The Secretary of State should provide more information in reporting debt rescheduling activities to Congress, specifically: (1) notifications of proposed reschedulings should state clearly why the rescheduling is necessary and in the U.S. interest; and (2) reports of completed official debt reschedulings should present a more complete picture of how agreements affect U.S. financial interests, including how much and how many times debts owed to U.S. agencies have been rescheduled and the prospects for collecting rescheduled receivables.
Status: Action not yet initiated. State officials hold to the view that current reporting is sufficient for adequate congressional monitoring, despite evidence to the contrary. State is aware of, but has not decided, how to respond to congressional requirement for improved notification procedures.

Recommendation: The Secretary of the Treasury should provide more information in reporting debt rescheduling activities to Congress, specifically: (1) notifications of proposed reschedulings should state clearly why the rescheduling is necessary and in the U.S. interest; and (2) reports of completed official debt reschedulings should present a more complete picture of how agreements affect U.S. financial interests, including how much and how many times debts owed to U.S. agencies have been rescheduled and the prospects for collecting rescheduled receivables.
Status: Action not yet initiated. Treasury has not commented on this recommendation.

Recommendation: Pursuant to the requirements of section 634 of the act, the Administrator, AID, as DCC Chairman, should revise the annual congressional report and accompanying annexes as may be necessary to show clearly the amounts of foreign assistance loan authorizations, disbursements, rescheduled debt, repayments, and balances outstanding, by program and country.
Status: Action in process. AID stated that it is prepared to work with GAO and other agencies having loan reporting requirements to find ways of addressing this GAO concern within the confines of AID staffing and work load constraints. Reconciliation with the AID W-210 report accomplished further efforts underway.

Recommendation: Pursuant to the requirements of section 634 of the act, the Administrator, AID, as DCC Chairman, should define the status of repayments, including applicability of aid cut-off sanctions and collectibility of non-current loans, by country.
Status: Action in process. AID stated that it is prepared to work with GAO and other agencies having loan reporting requirements to find ways of addressing this GAO concern within the confines of AID staffing and work-load constraints. AID acknowledged a need for better interagency coordination. The 1987 DCC annual report was not issued as of December 1, 1987.

Recommendation: Pursuant to the requirements of section 634 of the act, the Administrator, AID, as DCC Chairman, should disclose the reasons for any significant shortfalls in repayments of billed loan principal and interest for the preceding year.
Status: Action in process. AID stated that it is prepared to work with GAO to find ways of addressing this GAO concern within the confines of AID staffing and work-load constraints. The annual report showing this information has not been published for 1987.

Recommendation: Pursuant to the requirements of section 634 of the act, the Administrator, AID, as DCC Chairman, should ensure consistency with the underlying agency loan records.
Status: Action in process. AID agreed with the need to have reconcilable loan data and will take the necessary action to clearly reconcile its Green Book report data with other internal AID records. This effort is currently under way and has been partially completed.

Recommendation: Pursuant to the requirements of section 634 of the act, the Administrator, AID, as DCC Chairman, should meet the required February 1 reporting deadline.
Status: Action taken not fully responsive. AID agreed in principle with this recommendation, but pointed out that the February 1 deadline is difficult to meet because of various constraints. In fact, the 1987 report, which was due on February 1, 1987, was not yet published as of December 1, 1987.

Recommendation: The Administrator, AID, should revise the U.S. overseas Loans and Grants Report to provide certain information and ensure that the data reported in this book is consistent with other loan records and reports submitted to Congress by other executive agencies.
Status: Action in process. AID agreed with the need to have reconcilable data and has commenced efforts to report loan data on a consistent basis. Efforts are expected to continue during integration of the new Financial Accounting Control System.

Recommendation: The Administrator, AID, should prepare and submit to Congress an annual loan program summary, consisting of financial statements, program data, and loan information by country, which adequately discloses the condition and collectibility of loan receivables and operating results of AID lending activity.
Status: Recommendation valid/action not intended. AID cited lack of reader interest and significance of financial statement data as considerations for not spending scarce AID resources to prepare recommended loan summary and accompanying statements/data. AID is willing to prepare statements and a program summary if a manner can be found to integrate data into other required Treasury and OMB reporting.

Foreign Economic a..d Financial Assistance

Travel Practices: Private Funding of AID Employees' Travel

NSIAD-87-92, 03/12/87

Background

Pursuant to a congressional request, GAO investigated the Agency for International Development's (AID) procedures for avoiding conflicts of interest for official travel funded by private sources. GAO also reported on its consideration of an Executive Order that defines standards of ethics for government employees in assessing such travel.

Findings

GAO found that: (1) AID employees made 70 official trips between August 6, 1985, and June 30, 1986, that nonfederal sources funded fully or partially; (2) the AID Office of the General Counsel approved 51 trips in advance and 1 trip retroactively; (3) employees took 10 of the remaining 18 trips within the first few months after AID instituted its new travel guidelines, so they may have been unaware of the guidelines; and (4) the General Counsel approved 2 trips that appeared contrary to AID guidelines and raised questions as to the appearance of conflicts of interest. GAO noted that AID policies prohibit employees from accepting payment for personal travel from private organizations that have or seek contracts or grants from AID, so employees are responsible for refusing payments from these organizations.

Open Recommendations to Agencies

Recommendation: The Administrator, AID, should instruct bureau and office supervisors to advise the legal staff if organizations offering to pay employees' travel expenses have or are seeking contracts or grants with AID. This information could be provided when approval for privately funded trips is requested.
Status: Action in process. AID will amend its guidelines to require bureaus and offices to advise the General Counsel of organizations offering to pay employee travel expenses that have, or are seeking to do, business with the traveller's office

or bureau. The guidelines will be drafted in December 1987.

Foreign Economic and Financial Assistance

Foreign Aid: Impact of Overseas Private Investment Corporation Activities on U.S. Employment

NSIAD-87-109, 05/05/87

Background

In compliance with a legislative requirement, GAO determined the impact of the Overseas Private Investment Corporation's (OPIC) activities on employment in the United States.

Findings

GAO found that OPIC: (1) approved projects that it should have expected would have negative impacts on U.S. trade and potentially negative impacts on U.S. employment; (2) continued to assist some projects despite their negative impacts on trade and employment; (3) did not ensure that its procedures provided adequate project screening and monitoring to prevent significant adverse effects from OPIC-assisted investments; (4) used a methodology for computing the economic impact of its projects that led to overly optimistic reports to Congress concerning direct economic benefits; (5) did not routinely consult organizations such as labor unions and trade associations before approving projects; (6) did not adequately document job loss data when it evaluated proposed projects and monitored ongoing projects; and (7) has not determined the appropriateness of and circumstances for discontinuing assistance to projects whose operations have adverse effects on the U.S. economy.

Open Recommendations to Agencies

Recommendation: The President, OPIC, in consultation with the Administrator of the Agency for International Development (AID) should develop formal policies and a comprehensive system for screening and monitoring the economic effects on the United States of OPIC-assisted projects, including a methodology that more clearly and accurately: (1) estimates the direct economic effects on the United States of projects being considered for OPIC assistance; and (2) calculates the actual effects of ongoing projects on the economy of the United States.
Status: Recommendation valid/action not intended. OPIC is currently conducting an analysis of the effect of its programs on U.S. economy and employment. When completed, GAO will consider updating the recommendations.

Recommendation: The President, OPIC, in consultation with the Administrator, AID, should, in annual reports to Congress concerning the effects of OPIC-assisted projects on the U.S. economy, report: (1) without offsetting alternatives, the aggregate results of the operations of projects expected to have positive direct impacts on U.S. trade and employment separately from the aggregate results of those expected to have negative direct impacts; (2) separately the economic effects on the United States of any alternatives and assumptions that were considered and analyzed as part of the project approval process; and (3) separately the effect on trade and employment of project construction and start-up procurement.
Status: Recommendation valid/action not intended. OPIC is currently conducting an analysis of the effect of its program on U.S. economy and employment. When completed, GAO will consider updating the recommendations.

Recommendation: The President, OPIC, in consultation with the Administrator, AID, should determine the appropriateness and circumstances for including in future assistance arrangements, authority to discontinue assistance to projects whose operations are found to have adverse impacts on the U.S. economy.
Status: Recommendation valid/action not intended. OPIC is currently conducting an analysis of the effect of its program on U.S. economy and employment. When completed, GAO will consider updating the recommendations.

Recommendation: The President, OPIC, in consultation with the Administrator, AID, should provide for selection verification of monitoring data and improved use of monitoring results through formal feedback to the screening process.

Status: Recommendation valid/action not intended. This is a secondary recommendation. GAO sees no reason to expend additional time to convince OPIC of its merits.

Foreign Economic and Financial Assistance

Liberia: Need To Improve Accountability and Control Over U.S. Assistance

NSIAD-87-173, 07/16/87

Background

In response to a congressional request, GAO examined U.S. economic, food, and security assistance programs to Liberia since 1980 to determine whether controls over U.S. funds are adequate.

Findings

GAO found that: (1) the Economic Support Fund and Food for Peace Programs faced several control problems, including misuse of rice and counterpart funds and Liberia's noncompliance with established assistance agreements; (2) the programs' counterpart funds cannot help meet critical development objectives if Liberia does not comply with the agreements; and (3) although there was no evidence of any abuse in the military housing construction program, there was little evidence of systematic controls over contract administration prior to 1985, when Liberia handled contract awards. GAO believes that an effective Agency for International Development (AID) strategy will require Liberia to: (1) improve its accountability; and (2) meet the funding needs of its budget to adequately support development projects.

Open Recommendations to Agencies

Recommendation: The Administrator, AID, should negotiate agreements with the government of Liberia to strengthen controls over the P.L. 480 program. The following provisions should be considered: (1) counterpart funds should be placed in a commercial bank not affiliated with Liberia; (2) the AID Mission should be allowed to have prior approval authority for all checks written on the counterpart fund account; (3) project plans that include such things as project objectives, budget line items, and reporting requirements should be submitted to the AID Mission prior to disbursing counterpart funds; and (4) independent verification of counterpart fund use should be made by a party acceptable to both Liberia and the United States.

Status: Action in process. AID has made initial assessment and plans to include tighter controls when the fiscal year 1988 assistance program is negotiated.

Foreign Economic and Financial Assistance

Foreign Aid: Improvement Needed in Management of Technical Services Contracts

NSIAD-87-183, 08/18/87

Background

In response to a congressional request, GAO reviewed the Agency for International Development's (AID) procurement practices and management controls for centrally managed contracts to determine whether AID complied with the laws and regulations applicable to those contracts.

Findings

GAO found that: (1) while AID generally complied with procurement regulations, in some cases it failed to adequately publicize procurements; (2) although AID

established a data base to monitor the amount of and reasons for contract amendments and noncompetitive awards, it did not analyze the data; and (3) because AID has not established written guidelines for its centrally managed procurements, it has inadequate control over contract awards. GAO also found that project officers did not: (1) enforce compliance with an agency requirement that contractors identify the project number on their invoices; and (2) ensure that contractors performed services before receiving payment. In addition, GAO found that the agency's annual report to Congress did not discuss the status of its planned initiatives to increase competition or the reasons for any significant changes in noncompetitive awards.

Open Recommendations to Agencies

Recommendation: The Administrator, AID, should ensure that competitive opportunities are fully publicized.
Status: Action not yet initiated. AID will provide its response in December 1987.

Recommendation: The Administrator, AID, should discuss the status of all actions previously proposed and provide an analysis of the trends in number and percentage of competitive procurement actions, since 1985, in reports to Congress on competition.
Status: Action not yet initiated. AID will provide its response in December 1987.

Recommendation: The Administrator, AID, should issue instructions on managing centrally funded procurements, including procedures for: (1) project officers to ensure contractor compliance with billing requirements; (2) missions to provide information on services received; and (3) contracts to require contractors to bill AID by funding organizations.
Status: Action not yet initiated. AID will provide its response in December 1987.

International Financial Programs

United Nations: More Can Be Done To Strengthen the U.N. Joint Inspection Unit

NSIAD-86-141, 06/17/86

Background

GAO reviewed the effectiveness of the United Nations (UN) Joint Inspection Unit's (JIU) role as an independent evaluation unit, focusing on: (1) whether it functions as intended and fulfills the evaluation role Congress expected; (2) assessing the Department of State's actions to monitor JIU activities and improve JIU effectiveness; and (3) identifying ways to enhance JIU effectiveness in evaluating UN programs.

Findings

GAO found that: (1) 76 percent of JIU-issued reports failed to meet State's quality assurance standards; (2) JIU needs to develop written standards to improve report quality; (3) JIU inspectors lack the necessary qualifications and experience to ensure quality performance; (4) many JIU recommendations were not implemented because they were inadequate or vague; (5) some sound JIU recommendations were set aside without substantive action; (6) JIU should develop a multi-year work program to identify high-priority issues and ensure systematic coverage of UN system activities; (7) JIU failed to develop an evaluation plan to determine activities' relevance, effectiveness, and impact; (8) JIU should develop a systematic procedure for following up on the status of report recommendations; and (9) although State has supported JIU, it has not proposed measures to establish a multi-year work program, develop comprehensive standards, or establish a recommendation follow-up system.

Open Recommendations to Agencies

Recommendation: The Secretary of State should establish a comprehensive strategy for strengthening JIU that identifies short- and long-term approaches for enhancing the quality of JIU reports.
Status: Action in process. Estimated completion date: 12/87. State is working through formal channels in the UN General Assembly, currently in session, to influence UN consideration of the recommendations. Final results will not

be known until the General Assembly adjourns in December 1987.

Recommendation: The Secretary of State should instruct U.S. representatives to work with other member nations to increase General Assembly guidance and oversight and to propose changes in JIU procedures, including requiring JIU to provide the General Assembly with: (1) a multi-year medium-term work program that shows how JIU will allocate its resources among UN activities and issues over a specified time period; and (2) a JIU annual work plan prior to implementation.
Status: Action in process. Estimated completion date: 12/87. State is working through formal channels in the UN General Assembly, currently in session, to influence UN consideration of the recommendations. Final results will not be known until the General Assembly adjourns in December 1987.

Recommendation: The Secretary of State should instruct U.S. representatives to work with other member nations to increase General Assembly guidance and oversight and to propose changes in JIU procedures, including requiring JIU to develop and implement comprehensive written guidelines for conducting inspections and evaluations and for drafting reports.
Status: Action in process. Estimated completion date: 12/87. State is working through formal channels in the UN General Assembly, currently in session, to influence UN consideration of the recommendations. Final results will not be known until the General Assembly adjourns in December 1987.

Recommendation: The Secretary of State should instruct U.S. representatives to work with other member nations to increase General Assembly guidance and oversight and to propose changes in JIU procedures, including requiring JIU to establish a formal recommendation follow-up system and expand the JIU annual report to include sections on follow-up and JIU accomplishments.
Status: Action in process. Estimated completion date: 12/87. State is working through formal channels in the UN General Assembly, currently in session, to influence UN consideration of the recommendations. Final results will not be known until the General Assembly adjourns in December 1987.

Recommendation: The Secretary of State should have the Department take the lead to develop ways to strengthen the inspector selection process and place more emphasis on the nomination and selection of candidates competent in inspection and evaluation skills.
Status: Action not yet initiated. No action is necessary unless JIU is restructured. Chances, at this time, of this happening are very remote.

Recommendation: The Secretary of State should instruct U.S. representatives to seek support for UN efforts to require JIU to: (1) devote more resources to evaluation, to include continued emphasis on UN system organizations' internal evaluation systems as well as JIU external evaluation efforts; (2) provide governing bodies with information on the external evaluations JIU plans to conduct; and (3) document its evaluation activities, including external evaluations and efforts to promote internal evaluation, in its annual report.
Status: Action in process. Estimated completion date: 12/87. State is working through formal channels in the UN General Assembly, currently in session, to influence UN consideration of the recommendations. Final results will not be known until the General Assembly adjourns in December 1987.

International Financial Programs

International Banking: U.S. Banking Supervision and International Supervisory Principles

NSIAD-86-93, 07/25/86

Background

GAO identified the extent to which the U.S. bank regulatory agencies' regulations, policies, and procedures are consistent with the Basle Committee's principles. The Committee, which consists of the United States and 11 other countries, agrees on principles designed to ensure adequate supervision of international banking.

Findings

GAO found that the banking supervision principles that federal bank regulatory agencies use are consistent with the Basle Committee's principles in many

respects. Although the Committee is concerned with the decreasing capital positions of banks, consolidated bank supervision and country and foreign exchange risk, U.S. banking laws and regulations adequately address those issues. The main difference between the U.S. banking agencies' policies and procedures and the Committee's principles is the limited attention that the federal and state agencies give to identifying how adequately foreign countries' home banks supervise their applications for U.S. offices. Although adequate banking supervision could be critical to the safety and soundness of the banks' U.S. offices, some state banking agencies frequently fail to contact foreign supervisors when considering the applications. Less familiarity with the Committee's activities and with foreign bank supervision could account for the limited attention that state agencies give to foreign bank supervision. In addition, most state agencies fail to ask the Federal Reserve, which has representation on the Committee, to supply them with the information it gathers on the foreign banks when they consider U.S. office applications.

Open Recommendations to Agencies

Recommendation: The Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Federal Deposit Insurance Corporation (FDIC) should: (1) ensure that their agencies evaluate the adequacy of foreign bank supervision and consider economic conditions in the home country when a foreign bank applies to establish a U.S. banking office and encourage state banking agencies to do the same; (2) encourage state banking agencies to notify foreign parent supervisory agencies when they receive foreign bank applications to establish U.S. banking offices; and (3) arrange to periodically brief state banking officials about the activities of the Basle Committee.
Addressee: Department of the Treasury: Office of the Comptroller of the Currency
Status: Action in process. Estimated completion date: 12/87. According to Treasury, the Office of the Comptroller of the Currency (OCC) is implementing written procedures to address part one of this recommendation. In April 1987, it forwarded a joint letter with FDIC addressing two other recommendations.
Addressee: Federal Deposit Insurance Corporation
Status: Action in process. According to Treasury, FDIC will issue instructions to its staff to ensure that issues are addressed in the application record. In April 1987, FDIC sent a letter to 16 state banking commissioners addressing the recommendations.

International Financial Programs

United Nations: Progress To Strengthen U.N. Internal Evaluation Systems Has Been Slow

NSIAD-87-54, 01/14/87

Background

GAO provided information on: (1) the United Nations (UN) headquarters' progress in strengthening internal evaluation; and (2) U.S. efforts to monitor and promote the evaluation and to assess UN development programs.

Findings

GAO found that: (1) several specialized UN agencies are making progress in establishing internal evaluation capabilities by integrating evaluation findings into their programming, budgeting, and management processes; (2) the UN headquarters, regional commissions, some major departments, and some semi-autonomous organizations have made little progress in developing strong internal evaluation capability; (3) UN has not rapidly implemented provisions in its 1981 and 1983 resolutions that would strengthen headquarters evaluation units and systems capabilities; (4) the Central Evaluation Unit (CEU), established in 1985, does not have adequate personnel or resources to perform its tasks, including conducting evaluations, formulating evaluation policies, procedures, and program feedback, and establishing self-evaluation guidelines; (5) UN planned to make temporary arrangements to provide more support to CEU and proposed that it emphasize self-evaluation by program managers; and (6) the United States promoted the 1981 resolution to strengthen internal evaluation and continues to promote the improvement of evaluation mechanisms and conduct independent assessments of

various agencies' development assistance programs.

Open Recommendations to Agencies

Recommendation: The Secretary of State should direct U.S. representatives to UN to pursue implementation of the 1981 and 1983 General Assembly resolutions by requesting the UN Secretary General to: (1) provide the necessary staff resources to establish or strengthen evaluation units for all UN headquarters organizations; (2) review the CEU staffing requirements to ensure that it is adequately staffed to carry out its central evaluation activities; (3) establish time frames and milestones for completing initial evaluation training, providing central evaluation information services, and integrating evaluation into the program planning and budgeting cycle; and (4) provide annual reports on the status of evaluation systems' implementation.
Status: Action in process. Estimated completion date: 12/87. State is working through formal channels to influence UN consideration of this recommendation. Final results will not be known until the General Assembly adjourns in December 1987.

Military Assistance

The United States Continuing Munition Supply Relationship With Guatemala

NSIAD-86-31, 01/30/86

Background

Pursuant to a congressional request, GAO reviewed the extent and legality of the government's continuing military supply relationship with Guatemala.

Findings

GAO noted that: (1) the United States cut off U.S. arms sales to Guatemala between fiscal years (FY) 1978 and 1984 because the State Department cited the country for human rights violations; (2) any significant increases in military sales or assistance are linked to additional improvements in human rights; and (3) from 1978 through 1984, Guatemala obtained military and dual-use equipment through U.S. companies' commercial sales. GAO found that: (1) the State Department controls arms sales by requiring licenses for the export of munition items; (2) approvals for licensed munition items peaked in FY 1979 at 62 percent, but dropped to a low in FY 1982; (3) all exported items controlled by the Department of Commerce are contained in the Commodity Control List, which identifies items for export control for mutual security reasons; and (4) Commerce approved applications for exports to the Guatemalan military totalling $55 million and $61 million to nonmilitary government agencies from January 1978 to February 1985. GAO also found that: (1) there was an illegal transfer of 10 U.S. M-41 tanks from Belgium to Guatemala in 1982; (2) there was no record of a request to transfer any M-41 tanks to Guatemala; (3) no foreign military sales (FMS) or military assistance program financing had been approved for Guatemala from FY 1976 through 1985; and (4) a $10 million FMS credit request for 1986 has been appropriated, but the appropriation restricts the types of assistance and is subject to the election of a civilian government and progress in human rights conditions.

Open Recommendations to Agencies

Recommendation: The Secretary of State should take steps to ensure that the department's information retrieval capabilities are such that all intended destinations can be easily identified.
Status: Action in process. The Office of Munitions Control (OMC) started a survey of its computer needs based on a GAO report. By February 1988, OMC hopes to finish analyzing requirements and begin ordering new equipment. OMC hopes to have at least partial operation begun within a year and plans to use a new off-the-shelf system with its own reconfiguration. The system will satisfy the requirements of this recommendation.

Military Assistance

Collecting Research and Development Costs on Commercial Military Sales

NSIAD-86-44, 02/28/86

Background

GAO reviewed the Department of Defense's (DOD) procedures for identifying, monitoring, and collecting nonrecurring research, development, and production costs applicable to commercial sales licensed for export by the Departments of State and Commerce.

Findings

GAO noted that prior internal audits and congressional reports have concluded that millions of dollars have been lost because effective procedures have not been established for the collection of nonrecurring research and development costs. GAO found that: (1) DOD is not aware of most commercial sales agreements between defense contractors and foreign entities; (2) DOD cannot ensure that recoupments are collected; (3) although commercial sales of defense-related articles between U.S. companies and foreign entities require U.S. Government export licenses, State grants most licenses without consulting DOD; and (4) although Commerce is responsible for identifying products that need export controls, the vast majority of applications for Commerce export licenses involve low-technology products, which do not involve significant military risks and, therefore, DOD does not review them. GAO also found that: (1) the military services were not aware of 44 State-issued licenses which carried recoupment charges; (2) 14 of the 52 Commerce-issued licenses warranted a recoupment charge; (3) the descriptions used on the licenses were not sufficient to determine what was being exported or the correct charge; (4) U.S. representatives did not always forward contractor payments to the appropriate military service in a timely manner; and (5) although there are procedural deficiencies in the collection of nonrecurring costs, DOD has collected most nonrecurring costs associated with commercial sales.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should take action to ensure that the Defense Security Assistance Agency (DSAA) and the military departments develop and implement procedures to surface disputes within their respective areas of responsibility.
Status: Action in process. DSAA drafted guidance on surfacing disputes to be included in Defense Acquisition Regulations (DAR) and Financial Management Manual 7290.3-M. DSAA is awaiting final approval from the DAR Council.

Recommendation: The Secretary of Defense should take action to develop procedures, in conjunction with the Secretaries of State and Commerce, requiring that DOD be advised of shipments of more than $1 million.
Status: Action in process. Estimated completion date: 01/88. DOD and State concurred with this recommendation. The DOD position is that implementation of this recommendation depends on support from State and Commerce. State is sending copies of all licenses valued at over $1 million to DOD on a quarterly basis. DOD is working with Commerce to establish procedures to receive Commerce licenses, and the target for completion is January 1988.

Recommendation: The Secretary of Defense should take steps to ensure that a focal point for monitoring commercial sales is designated.
Status: Action in process. Action was initiated to revise regulations accordingly. Regulations require that a clause be included in all contracts stipulating that the contracting officer must report direct and commercial sales of defense equipment to DOD. DAR Council approval on the proposed regulation is unknown. The DAR Council and DSAA disagree on this procedure.

Military Assistance

Panama Canal Commission's Financial Statements FY 1984 and 1983

AFMD-86-15, 04/08/86

Background

GAO reviewed the Panama Canal Commission's (PCC) financial statements as of September 30, 1984 and 1983 to assess whether PCC internal accounting controls and auditing procedures were in compliance with applicable laws and regulations.

Findings

GAO noted that: (1) PCC prepared its financial statements according to accounting principles prescribed in the Panama Canal Act, which differ in some respects from generally accepted accounting principles; and (2) the act requires PCC to compute the interest on the U.S. investment in the Panama Canal and provide a formula for determining and adjusting the amount of the investment. GAO found that: (1) PCC incorrectly reduced the U.S. interest-bearing investment by the amount of interest due each year; (2) incorrect interest reductions amounted to $52 million for the years 1979 through 1984; (3) although there were no material weaknesses in the PCC internal control system, the organizational location of its internal audit function did not meet generally accepted auditing standards for independence and impartiality; (4) navigational improvement project costs were expended in compliance with PCC-approved capitalization policies; and (5) except for the improper establishment of a reserve for future floating equipment repairs and the effects of computing interest on the U.S. investment in the canal, PCC complied with the laws and regulations for the transactions tested for the years ended September 30, 1984 and 1983.

Open Recommendations to Agencies

Recommendation: The Administrator, PCC, should include in the next PCC toll rate submission a proposal to fund the reserve for floating equipment repairs.
Status: Action in process. The proposal to fund the reserve for floating equipment repairs was included in the fiscal year 1986 PCC audit. PCC plans to include the reserve in its next toll rate submission in 1989.

Military Assistance

Iran Arms Sales: DOD's Transfer of Arms to the Central Intelligence Agency

NSIAD-87-114, 03/13/87

Background

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) transfer of missiles and spare parts to the Central Intelligence Agency (CIA) for shipment to Iran.

Findings

GAO found that: (1) DOD properly treated the transfer as an interagency transfer under the Economy Act, rather than as a foreign military sale under the Arms Export Control Act; (2) the Arms Export Control Act's pricing and congressional reporting requirements were not applicable to the transfer; (3) DOD bypassed its normal review and approval channels because of the covert nature of the transfer; (4) DOD undercharged CIA $2.1 million for the missiles; and (5) while DOD covert arms transfers are ordinarily subject to congressional notification requirements, in this case a presidential intelligence finding that initiated the transfer ensured that the responsibility for

meeting such requirements lay with the President.

Open Recommendations to Agencies

Recommendation: DOD should adjust its billing to CIA to reflect the conclusions in this report.

Status: Action in process. DOD has billed CIA for $2.6 million in undercharges. CIA acknowledged receipt of the bill. DOD has not received reimbursement.

Military Assistance

Arms Exports: Licensing Reviews for Exporting Military Items Can Be Improved

NSIAD-87-211, 09/09/87

Background

In response to a congressional request, GAO reviewed the Department of State's Office of Munition Control's (OMC) arms export licensing activities and procedures and identified actions OMC took to cope with its increased work load.

Findings

GAO found that OMC: (1) approved about 90 percent of the license applications it acted on; (2) acted on 80 percent in less than a month; and (3) did not routinely check export license application data for accuracy or veracity. GAO also found that OMC has: (1) insufficient facilities and automated capabilities to store and retrieve historical data which would be useful in license application reviews; and (2) inadequate systems and procedures to ensure compliance with some administrative and reporting requirements.

Open Recommendations to Agencies

Recommendation: The Secretary of State should require OMC to use readily available information on parties involved in arms exports to help identify export license applications requiring closer scrutiny.
Status: Action not yet initiated. The 31 U.S.C. 720 response has not been finalized, but State concurs and plans to take action.

Recommendation: The Secretary of State should require OMC to develop procedures and criteria for requesting that U.S. embassies help verify license application information.
Status: Action not yet initiated. The 31 U.S.C. 720 response has not been finalized, but State concurs and plans to take action.

Recommendation: The Secretary of State should require OMC to ensure exporter compliance with administrative and reporting requirements.
Status: Action not yet initiated. The 31 U.S.C. 720 response has not been finalized, but State concurs and plans to take action.

Recommendation: To minimize the effect on OMC timeliness, OMC should assess its long-term automation needs with a view towards automating much of the export license review process. In this connection, OMC should also examine the feasibility of adapting for its use the automated review system being developed by the Department of Defense.
Status: Action not yet initiated. The 31 U.S.C. 720 response has not been finalized, but State concurs and plans to take action.

Congress Should Consider Revising Basic Corporate Control Laws

PAD-83-3, 04/06/83

Background

GAO reviewed the basic corporate control laws in the context of the accountability of government corporations and identified deficiencies in the application of these controls.

Findings

Because many corporations have been established outside the purview of these laws, they no longer provide the effective controls that Congress intended. In examining the accountability controls that are specified in 31 U.S.C. 9101-9109, and in the individual corporations' enabling legislation, GAO found that current controls, including financial audit, budget reporting and review, and Treasury financial control, are not uniformly applied. Other controls, such as program audit and oversight and on-budget reporting, are not addressed. These provisions of law distinguish between wholly owned and mixed-ownership corporations, which provide a mechanism for applying accountability controls. The mechanism is conceptually sound; however, there are some deficiencies in its application. The laws do not define government corporations aside from the wholly owned and mixed-ownership corporations. Additionally, the law does not provide a classification or controls for these corporations. These deficiencies create confusion and weaken accountability. GAO believes that, while a broad range of federal accountability controls is needed for these corporations, standard definition and classification criteria are essential if the controls are to be developed appropriately and applied consistently and effectively.

Open Recommendations to Congress

Recommendation: Congress should consider revising title 31, section 9105, of the U.S. Code to cover predominately private corporations when federal financing has been used.
Status: Action not yet initiated.

Recommendation: Congress should consider amending title 31, section 9101, of the U.S. Code to include a definition that describes government corporations and a list of their common powers or attributes.
Status: Action not yet initiated.

Recommendation: Congress should consider establishing uniform accountability standards for government corporations, including a definition, classification criteria, and general accountability standards for all government corporations. This could be done by revising the basic corporate controls, 31 U.S.C. 9101-9109.
Status: Action not yet initiated.

Recommendation: Congress should consider granting authority for annual audits or GAO review of annual CPA audits to ensure consistency with standards.
Status: Action not yet initiated.

Recommendation: Congress should consider expanding 31 U.S.C. 9105 or adding a new provision of law to provide for periodic program review of these congressionally authorized programs. The revision could also require submission of annual reports to Congress for all corporations.
Status: Action not yet initiated.

Recommendation: Congress should consider the need for on-budget reporting of financial transactions for all corporations receiving federal capital, appropriations, or borrowing. Sections 9103 and 9104 of 31 U.S.C. could be revised to provide for congressional review of the budgets of mixed federal/private and predominately private corporations receiving federal financing, in addition to those of predominately federal corporations.
Status: Action not yet initiated.

Recommendation: Congress should consider the applicability of sections 9107 and 9108 of 31 U.S.C. to all government corporations. Currently, Treasury approval of accounts and security obligations only applies to 24 of the 47 government corporations listed in the GAO inventory.
Status: Action not yet initiated.

Defense Health Care: CHAMPUS Reform Initiative—Unresolved Issues

HRD-87-65BR, 03/04/87

Background

Pursuant to a congressional request, GAO reviewed Department of Defense (DOD) changes to the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).

Findings

DOD is proposing to change CHAMPUS because of significant cost increases and other problems. GAO found that the objectives of the CHAMPUS reform initiative are to: (1) contain costs; (2) increase beneficiary access to medical care; (3) improve coordination between CHAMPUS and the military treatment facilities; (4) ensure quality care; and (5) simplify administrative procedures by contracting for the processing and payment of medical care claims. As part of the initiative, DOD proposed a new enrollment program to expand benefits and lower costs to beneficiaries willing to obtain medical care from the contractor's network of providers. GAO believes that DOD should resolve key issues before it proceeds with the implementation of the initiative, specifically whether: (1) cost containment can be accomplished within the proposed program structure; (2) contractors will have a financial incentive to provide minimum medical care at the lowest costs; and (3) simplifying CHAMPUS procedures will create problems in program administration.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Assistant Secretary of Defense (Health Affairs) to: (1) expeditiously develop a methodology for conducting a thorough evaluation of the initiative's demonstration phase; (2) ensure that the initiative's demonstration phase is of sufficient duration that issues such as those raised in this report, and those that may arise during the demonstration, can be thoroughly evaluated before DOD proceeds to subsequent phases of the initiative; and (3) inform Congress promptly if DOD determines that the congressionally directed timetable for nationwide implementation of the initiative cannot be met because of the need for a more thorough demonstration phase.

Status: Action in process. DOD concurred with this recommendation and provided information on the action planned to implement it.

Atomic Energy Defense Activities

Environment, Safety, and Health: Environment and Workers Could Be Better Protected at Ohio Defense Plants

RCED-86-61, 12/13/85

Background

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) effectiveness in protecting its workers, the community, and the environment at three of its defense production facilities.

Findings

GAO noted that: (1) in two previous reports, it recommended that DOE develop a system to independently verify environmental monitoring data reported by contractors; and (2) DOE did not adopt the recommendation because it believed the contractors' quality assurance programs provided an

effective method for ensuring the reliability of data. GAO found that: (1) each Ohio contractor collects, evaluates, and reports its own radioactive air and water releases; (2) quality assurance programs help ensure that water and air samples are accurately analyzed, but do not verify that data collected are adequate; (3) each plant had environmental problems which resulted in groundwater, soil, or drinking water contamination; (4) two of the plants were not in compliance with hazardous waste laws; and (5) one of the plants was not in compliance with state permits because it had not completed two of four pollution control projects. GAO also found that: (1) the contractors did not always follow the DOE radiological monitoring guide, which recommends that they monitor on- and off-site wells to assess environmental impacts of plant operations; (2) DOE did not adopt the recommendation that radiological monitoring guides be mandatory for all DOE facilities because it believed contractors would lose flexibility in designing their monitoring programs; (3) contractors received sizable fees even though environmental safety and health (ES&H) problems existed; and (4) DOE appraisal programs were not identifying major ES&H problems.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy should require that radiological monitoring guides be mandatory for all DOE facilities.
Status: Action in process. The Environment and Health Office requested information from field offices to help determine what guides should be made mandatory. The information provided was used to develop a draft regulation which is circulating for informal comment within DOE. DOE plans to submit the draft for formal comment on December 31, 1987. The comment process will take at least 1 year.

Recommendation: The Secretary of Energy should develop a coordinated DOE/state/contractor system to verify contractor-reported data.
Status: Action in process. Estimated completion date: 02/88. The Environment and Health Office plans to submit a draft regulation for formal comment by December 31, 1987. It will require at least annual monitoring verification by the Environmental Protection Agency and state and local offices. The comment process will take at least 1 year.

Atomic Energy Defense Activities

Nuclear Safety: Safety Analysis Reviews for DOE's Defense Facilities Can Be Improved

RCED-86-175, 06/16/86

Background

Pursuant to a congressional request, GAO reported on the adequacy of the Department of Energy's (DOE) safety analysis reviews (SAR) for its existing nuclear defense facilities. GAO examined eight facilities to determine the effectiveness of DOE efforts to protect workers and the environment.

Findings

GAO found that: (1) DOE did not approve the reviews for three of the eight facilities, each of which had the potential for significant on-site or off-site releases of radioactive material in a major accident; (2) the reviews' safety design criteria varied considerably between the facilities; (3) the reviews used different approaches to identify and analyze potential accidents at DOE facilities, with some approaches being more comprehensive than others; and (4) DOE reviewed and approved the reviews internally, which precluded an independent review process.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy should complete and approve SAR for all high-hazard facilities in a timely fashion.
Status: Action in process. Estimated completion date: 12/87. DOE plans to have all SAR approved for existing facilities by December 1987.

Recommendation: The Secretary of Energy should require that SAR include a detailed comparison of the plant against current DOE design criteria,

highlighting and explaining any deviations.
Status: Action in process. DOE indicated that its SAR will include a comparison of the plant against DOE design criteria when SAR are updated.

Recommendation: The Secretary of Energy should develop more consistent requirements to be followed in preparing reviews, outlining appropriate methodologies and assumptions to be used in analyzing accidents and their consequences.
Status: Action in process. DOE is developing more consistent requirements, but it is not clear at this time how they will be applied in preparing SAR.

Recommendation: The Secretary of Energy should establish an arrangement with an outside independent organization to review those SAR for the most hazardous facilities. This could be accomplished either by establishing a working arrangement with the Nuclear Regulatory Commission (NRC) or an independent review panel.
Status: Action taken not fully responsive. DOE does not believe that outside reviews of its SAR are needed.

Atomic Energy Defense Activities

Nuclear Energy: Environmental Issues at DOE's Nuclear Defense Facilities

RCED-86-192, 09/08/86

Background

Pursuant to a congressional request, GAO: (1) identified key environmental issues at nine Department of Energy (DOE) nuclear defense facilities; and (2) evaluated the status of DOE efforts to strengthen its environmental, safety, and health oversight programs.

Findings

GAO found that: (1) eight facilities have groundwater contaminated with radioactive or hazardous substances at levels higher than the proposed standards; (2) although six facilities have soil contamination in unexpected areas, including off-site locations, DOE sees a potential public health threat at only one of the facilities; (3) four facilities are not in full compliance with the Clean Water Act; (4) to obtain permits under the Resource Conservation and Recovery Act (RCRA), all nine facilities are significantly changing their waste disposal practices by closing existing disposal facilities or building new treatment facilities; and (5) it may cost over a billion dollars to bring the facilities into full compliance with environmental laws and obtain the necessary permits.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy should establish a groundwater and soil protection strategy that would reflect DOE policy on the extent groundwater and soil can become contaminated and include specific guidelines, to the extent practical, to protect groundwater and soil around DOE facilities.
Status: Action in process. DOE officials stated that they would develop a groundwater and soil protection strategy. DOE has not yet developed a groundwater and soil protection strategy.

Recommendation: The Secretary of Energy should provide to Congress a comprehensive report setting forth DOE plans, milestones, and cost estimates for bringing DOE defense facilities into compliance with all applicable environmental laws.
Status: Action in process. DOE is in the process of identifying specific projects needed to bring its facilities into full compliance with environmental laws.

Recommendation: The Secretary of Energy should revise DOE Order 5480.2 governing hazardous and mixed waste to reflect how waste operations will be managed in the future.
Status: Action in process. DOE is currently revising DOE Order 5480.2.

Atomic Energy Defense Activities

Nuclear Materials: Alternatives for Relocating Rocky Flats Plant's Plutonium Operations

RCED-87-93, 04/14/87

Background

In response to a congressional request, GAO examined operations at the Department of Energy's (DOE) Rocky Flats Plant to determine: (1) whether relocating the plutonium-processing operations to other DOE sites is a viable alternative to correcting problems with the processing building; (2) what effect such a relocation would have on public health and safety in the Denver, Colorado, area; and (3) whether the costs associated with correcting the processing building's problems are significant enough to warrant relocating the entire plant.

Findings

GAO found that DOE has several options to choose from for eliminating or reducing plutonium activities at Rocky Flats, including relocating: (1) all Rocky Flats operations; (2) the processing of residues, oxides, and site returns; (3) the processing of site returns; (4) the processing of oxides; and (5) the processing of oxides and site returns. GAO noted that: (1) relocating all operations would cost about $4 billion; (2) relocating a portion of recovery operations would cost from $206 million to $7 million, depending on what operations were moved and where they were moved; and (3) repairing the processing building and keeping all operations at Rocky Flats would cost about $303 million. GAO also found that: (1) the plant's contractor believes that the risks associated with its operations are within DOE limits; (2) the primary hazard at the plant is from an earthquake, not from wind; (3) since fabrication, not plutonium processing, is the major contributor to safety and health risks at the plant, relocating the processing operations would not drastically change the overall risk from the plant; (4) the time required for relocating some or all of the plutonium operations could help minimize adverse socioeconomic effects; and (5) relocating all operations would not affect employment for 14 years. GAO concluded that: (1) DOE is not close to a decision on the future of plutonium processing at Rocky Flats; and (2) the most attractive alternative depends on the emphasis DOE places on the cost and the environmental, safety, and health risks of each alternative.

Open Recommendations to Agencies

Recommendation: The Secretary of Energy should ensure that the selection of the best solution is closely coordinated with this study to ensure that construction/modernization funding is used efficiently.

Status: Action in process. DOE is conduting a study of the long-range future of its production complex. Until this study is completed, DOE will continue to examine options for plutonium scrap and residue processing.

Defense-Related Activities

Opportunities Exist To Reduce Operating Costs of the Department of Defense Overseas Dependents Schools

HRD-82-86, 08/26/82

Background

GAO reviewed the opportunities for savings in the teacher substitution and pupil transportation programs in the Department of Defense Dependents' Schools (DODDS) system.

Findings

Department of Defense (DOD) policy states that teachers who reside in the

United States should be hired only if vacancies cannot be filled by transferring currently employed teachers or by hiring locally. However, a large number of substitute teachers are needed and local applicants constitute the only source to meet demand. As a result, some principals are reluctant to hire local applicants as full-time teachers. The high demand for substitutes is attributable primarily to the tightly structured rules covering accumulated leave time among teachers, which causes them to take their maximum earned leave time to avoid forfeiting it. Hiring teachers in the United States is substantially more costly than hiring teachers locally; therefore, restructuring the leave-time regulations would lead to a decline in the need for substitutes so that more local applicants could be available for hire as full-time teachers. DODDS has budgeted approximately $37 million for pupil transportation in fiscal year 1982. GAO found that military installation commanders, who are responsible for providing pupil transportation, have not made cost comparisons and other analyses to ensure that the most economical busing services are used. GAO believes that until the military services undertake these cost-effective analyses, cost savings in busing services will not be realized. GAO concluded that savings to DODDS could be achieved by reducing the demand for substitute teachers and identifying the most economical mode of pupil transportation.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should require the Director, DODDS, to establish and maintain a data base on the numbers of: (1) available and qualified local applicants who are dependents of DOD military and U.S. Government civilian personnel; and (2) teacher vacancies filled by local applicants who are dependents of DOD military and U.S. Government civilian personnel overseas.
Status: Action in process. A data base was established, but it was determined to be a duplication of effort. Filling vacancies was delayed due to a hiring freeze. DODDS plans to modify the existing CONUS tracking system for overseas local hiring, to be done by contract.

Recommendation: The Secretary of Defense should: (1) ensure that busing cost comparisons and other analyses are performed in all overseas communities where students are bused to DODDS, and that military communities forward the results of the analysis to DODDS regions along with explanations, if the lowest-cost alternative is not selected; (2) instruct the military departments to consider structuring contracts for pupil transportation services to allow competition by smaller companies and using multiyear contracting where it promises to reduce the cost of busing to the U.S. Government; and (3) ensure that military communities providing pupil transportation services submit complete and accurate quarterly cost reports to DODDS as required by the DOD Manual.
Status: Action in process. Parts one and three of this recommendation were completed as of December 15, 1986. Cost comparisons and analyses are being performed and DODDS requested quarterly reports. Part two of this recommendation is still in process. The services are considering restructuring contracts and utilizing multiyear contracting.

Recommendation: The Secretary of Defense should require the Director, DODDS, to ensure that regional offices develop an information base and commit the resources necessary to: (1) review cost comparison and other studies and coordinate with the military communities to resolve differences in approach or methodology; and (2) analyze and compare cost data from communities to identify unusually high contract or in-house costs per mile, per bus, or per student.
Status: Action in process. This recommendation is still in process. Staff shortages have prevented in-depth reviews of service data. DODDS hopes to contract for cost analysis of an overall transportation system.

Defense-Related Activities

Operation Crossroads: Personnel Radiation Exposure Estimates Should Be Improved

RCED-86-15, 11/08/85

Background

In response to a congressional request, GAO reviewed certain issues concerning radiation safety activities during the 1946 Operation Crossroads nuclear test to answer questions raised by private citizens about the accuracy of the Defense Nuclear Agency's (DNA) radiation exposure estimates, which are used by the Veterans Administration (VA) in adjudicating former participants' radiation-related disability claims. These issues concerned the: (1) reliability of the radiation dose film badges used; (2) adequacy of the personnel decontamination procedures; (3) appropriateness of the military response to recommendations made by the radiological safety office regarding safety issues; and (4) accuracy of DNA reconstruction efforts.

Findings

The DNA report on Operation Crossroads concluded that personnel had not been overexposed to radiation, based on data recorded on film badges worn by about 6,300 of the 42,000 participants and reconstructed external and internal radiation dose estimates for the participants. GAO found that the exposure estimates for each of the four radiation types may need adjustment because: (1) the film badges were not reliable for measuring both external gamma and beta radiation, as intended, and were not worn by all Crossroads participants; (2) personnel decontamination procedures did not provide adequate protection for Crossroads personnel throughout the operation; and (3) the DNA dose reconstruction analysis for alpha and beta radiation did not properly estimate the possible personnel exposure from inhalation, ingestion, or open wounds.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct DNA, in implementing its new standards for reporting radiation exposure estimates to VA, to not only require the military services to disclose the error range associated with reconstructed exposure estimates, but also require them to disclose the error range associated with individual film badge readings.
Status: Action in process. DOD has requested NAS to conduct a study of film badge accuracy. Should such a study determine a need for reporting the possible error in film badge readings reported to VA, DOD stated that it would adopt a course of action. Steps to encourage corrective action will be dependent upon the DOD reaction to the NAS study.

Defense-Related Activities

Management Review: Progress and Challenges at the Defense Logistics Agency

NSIAD-86-64, 04/07/86

Background

GAO reviewed the Defense Logistics Agency's (DLA) management functions in order to: (1) examine its mission, resources, organization, policies, and management objectives, and the various mechanisms it uses to direct, control, and evaluate its operations; (2) identify problems DLA experienced in carrying out some of its major activities; (3) determine how DLA responded to these challenges; and (4) recommend measures to strengthen its management processes.

Findings

DLA manages over two million supply items, procures supplies costing billions of dollars every year, maintains an inventory valued at over $10 billion, administers over $186 billion in government contracts, and manages many weapon system spare parts. GAO found that: (1) because of the scope and size of its activities, DLA depends on automation for financial and other management systems; (2) many automated DLA systems, such as supply support, contract administration, and financial management, which depend on upgraded information systems, need modernization; (3) control weaknesses and accounting data reporting errors cause inaccuracies in supply center records and contract administration; and (4) DLA does not have an effective plan for acquiring and managing information resources, but has initiated organizational and managerial changes to improve planning for and cost control over automated systems. GAO also found that: (1) productivity measurement standards cover the majority of DLA personnel; (2) the productivity program has top management support, quantitative goals for improvement, and active employee involvement; and (3) the DLA 4-year productivity growth rate is slightly higher than the trend necessary to achieve the presidential goal for improvement for 1992. The Department of Defense (DOD) and the military services feel that the Weapon System Support Program is effective; however, DLA needs more data from the military services on system and item priorities to ensure that the program is conducted economically and effectively.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should review the progress DLA is making in preparing mobilization plans to ensure that timely and appropriate requirements data are made available to DLA by the military services, and that DLA develops necessary plans to effectively transition to supporting wartime missions.
Status: Action in process. Estimated completion date: 10/90. The military services still have not provided DLA with appropriate mobilization requirements data. DLA and the military services cannot agree on what requirements data the services will provide. The follow-up report will address this issue.

Recommendation: The Secretary of Defense should review the status and progress of the DLA Weapon System Support Program to ensure that the growth in the systems covered is justified, the program is accomplishing its intended purpose of concentrating resources on the highest-priority systems and items, and the cost of the higher levels of supply support is appropriate to the availability of the systems supported.
Status: Action in process. Estimated completion date: 03/88. DOD/IG is currently reviewing the status of DLA and military services' efforts to implement the DOD weapon system management concept. The report is expected to be issued in late 1987 or early 1988.

Recommendation: The Secretary of Defense should ensure that the military services provide complete information to DLA which would enhance management of weapon systems support.
Status: Action in process. The required military service data elements have been identified. The Office of the Secretary of Defense (OSD) is presently determining the best means of providing this data to DLA.

Recommendation: The Director, DLA, should ensure that DLA internal controls, including managerial accountability, are adequate to control in-transit materials.
Status: Action in process. DLA has implemented new management-by-objectives goals for intransit materials. GAO is currently performing a detailed review of this area.

Recommendation: The Director, DLA, should continue to emphasize the need to control overaged unliquidated obligations (ULO) balances, identify the underlying problems that lead to the build-up of the large balances, and establish specific goals for acceptable ULO levels for the fuels commodity.
Status: Action in process. DLA has developed a system to monitor the reconciliation of negative ULO balances. It is beginning to track and analyze the reasons that negative ULO balances occur. When more analysis data is available, this information will be used to take corrective action.

Recommendation: The Secretary of Defense should direct DLA and the military services to work together to develop the capability to make timely and effective reviews of inactive item candidates.
Status: Action in process. Estimated completion date: 12/87. Planned improvements to the DLA inactive item screening process are substantially completed. DLA is currently assisting the military services in improving their screening processes.

Recommendation: The Director, DLA, should increase the coverage of the planned automated data system for compiling audit findings to include findings from other review and evaluation groups in DLA, and issue needed procedures to help ensure that actions on audit recommendations are verified.
Status: Action in process. DLA took some action to improve its existing

follow-up systems. It plans to acquire a new system, but has no definitive plans detailing when the new system will be onboard and running. The GAO follow-up review will make new recommendations in this area.

Defense-Related Activities

Stars and Stripes: Appropriated-Fund Support Should Be Reduced

NSIAD-86-104, 05/07/86

Background

Pursuant to a congressional request, GAO analyzed the missions, management, and operation of the Department of Defense's (DOD) European and Pacific "Stars and Stripes" newspapers to determine if consolidation could alleviate the newspapers' financial difficulties.

Findings

DOD decided that the newspapers' financial problems could be resolved without consolidation by authorizing the newspapers to sell advertising and use more appropriated funds. GAO found that: (1) in fiscal year 1984, advertising provided the newspapers with $1 million in revenues; (2) commercial publishers complained to the Joint Committee on Printing that the DOD advertising policy allows the newspapers to compete with them unfairly; (3) since 1981, appropriated fund support for the newspapers has increased; and (4) the appropriated funds were used to pay expenses that would have been paid with nonappropriated funds, allowing for expansion and modernization of the newspapers' operations. GAO concluded that consolidation of the two newspapers into one business and financial entity would: (1) improve the financial condition of the combined newspaper; (2) allow effective allocation of resources; and (3) enable DOD to fulfill the newspapers' missions more efficiently and cost-effectively. In the past, DOD objected to consolidation of the newspapers on the grounds that the newspapers would lose their local character, and that the news would be less timely. However, DOD did agree that a study should be conducted to identify actions necessary to ensure the viability of the newspapers. GAO believes that: (1) the local character of the combined newspaper could be retained by designating a certain amount of space for local news; and (2) the loss in timeliness of the news may not be a significant problem because timely news is available through other media.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct that the "Stars and Stripes" study begin as soon as possible, address consolidation and alternative ways to reduce appropriated-fund support, and be reported to him.
Status: Action in process. The study to evaluate "Stars and Stripes" has been completed and the 'Rosen' report was delivered to DOD at the end of October 1987. DOD is now obtaining comments from the unified commands before officially responding to the report.

Defense-Related Activities

Military Housing: Analyses of Overseas Housing Costs Are Misleading to Decisionmakers

NSIAD-86-82, 06/13/86

Background

GAO evaluated Army, Navy, and Air Force economic analyses issued between December 1982 and January 1984 to identify the most cost-effective alternative for satisfying military family housing requirements in Europe.

Findings

GAO found that the quality of the economic analyses was poor because of the large variety of problems they contained, the high frequency of problem occurrence, and the effects of these problems on the analyses' major conclusions. GAO determined that: (1) even though the Navy study concluded that straight leasing was the least expensive alternative, lease with purchase was actually the least expensive alternative; (2) although the Army study concluded that using housing manufactured in the United States and erected in West Germany would cost more than leasing, U.S.-manufactured housing was less expensive than build-to-lease housing; and (3) either the rent was substantially less than the mortgage payment in the build-to-lease alternative or the lessor had to be able to build housing at a lower cost than the Air Force estimated for the military construction alternative.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should require all future economic analyses involving the use of the present-value technique to discount only: (1) current dollar expenditures; and (2) with the average rate of interest on the Department of Treasury obligations which mature during the period of anticipated expenditures. GAO understands that the Office of Management and Budget (OMB) is currently revising Circular A-104 to require this type of discounting procedure. Until this revised guidance is effective, the Secretary of Defense should request a waiver from the current version of Circular A-104 to allow the department to immediately begin using this recommended discounting technique.

Status: Recommendation valid/action not intended. The Department of Defense (DOD) will not request a waiver from OMB Circular A-104, but it will implement the revised circular upon issuance.

Recommendation: The Secretary of Defense should issue additional guidance on conducting economic analyses of foreign housing that: (1) expands instructions for sensitivity tests; (2) requires full explanation of the special circumstances present when build-to-lease is found to be less expensive than military construction; (3) gives explicit directions on when and how to calculate political risk considerations in estimates of residual value; (4) requires the use of expected inflation and exchange rates which are representative of those accepted by professional economic forecasters unless there are convincing reasons for not using them; (5) requires that housing alternatives be evaluated for financial viability; (6) requires a good rationale with supporting data for assuming maintenance of utility expenses in build to lease significantly different from military construction of approximately the same square footage; and (7) gives explicit directions for estimating the rental and sale prices of land.

Status: Action in process. A tri-service committee is developing guidance to ensure that economic analyses are accomplished in accordance with OMB Circular A-104.

Defense-Related Activities

DOD Tempest Protection: Better Evaluations Needed To Determine Required Countermeasures

NSIAD-86-132, 06/27/86

Background

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) and military services' adherence to national TEMPEST policy. TEMPEST refers to technical investigations and studies of compromising emanations from electronic data processing equipment. National security policy requires federal agencies to protect classified information from such emanations.

Findings

GAO found that: (1) TEMPEST countermeasures are very costly to implement; (2) while total DOD TEMPEST-related costs are unknown, they are estimated at hundreds of millions of dollars annually; (3) DOD has not issued an implementing regulation in connection with the national TEMPEST policy directive; (4) DOD has issued conflicting TEMPEST policy memoranda and, as a result, the services are interpreting and implementing TEMPEST policy in different ways; (5) the services sometimes acquire TEMPEST countermeasures without determining whether they are needed; (6) the services and defense contractors are sometimes processing classified information without performing TEMPEST evaluations; (7) the services do not always conduct follow-up evaluations at contractor facilities to ensure that TEMPEST countermeasures are being implemented as needed; and (8) the Defense Investigative Service, which performs many TEMPEST evaluations for other DOD components, believes that its personnel are not adequately trained to perform TEMPEST evaluations or compliance inspections.

Open Recommendations to Agencies

Recommendation: To minimize delay in implementing national security policy, the Secretary of Defense should promptly implement a new security policy, on an interim basis if necessary, and ensure that the services promulgate implementing instructions to the field in a timely manner.
Status: Action not yet initiated. An interim response has been issued, and DOD now expects to provide comments in December 1987.

Recommendation: To minimize unnecessary TEMPEST-related expenditures, the Secretary of Defense should require all DOD components to conduct TEMPEST evaluations before implementing TEMPEST countermeasures. Such evaluations are also needed to ensure proper protection of classified information.
Status: Action not yet initiated. An interim response has been issued, and DOD now expects to provide comments in December 1987.

Recommendation: To reduce varying requirements placed on industry and duplicative efforts on the part of the services, the Secretary of Defense should consider assigning to the Defense Investigative Service, or some other DOD component, the responsibility for ensuring that TEMPEST countermeasures are effectively implemented within industry. Implementation of this recommendation may require additional training for the designated component's staff.
Status: Action not yet initiated. An interim response has been issued, and DOD now expects to provide comments in December 1987.

Defense-Related Activities

Test Resources: Early Testing of Major ASW Weapons Can Be Enhanced by Increased Focus on Test Resources

NSIAD-86-174, 06/30/86

Background

GAO summarized its review of early testing of major antisubmarine warfare (ASW) weapons, specifically the: (1) adequacy of Navy test resources to represent Soviet submarine capabilities and the ocean environment in which they operate; and (2) effectiveness in identifying and acquiring test resources during the development, test, and evaluation phases.

Findings

GAO found that: (1) the Navy's test resources fail to completely represent enemy submarine capabilities and ocean environments in which they operate; (2) the Navy's fixed test ranges provide only limited environmental diversity; (3) computer models used in simulation fail to effectively depict important environmental factors; (4) the Navy implemented efforts to improve test resources; and (5) the Navy does not have an effective process for identifying and acquiring test resources.

Open Recommendations to Agencies

Recommendation: The Secretary of the Navy should direct the designated sponsor to consolidate and prioritize test resource limitations to determine those having the greatest need for funding.
Status: Action taken not fully responsive. Navy issued a long-term ASW test and training resource plan. However, the plan does not consolidate and prioritize test resource needs. It only prioritizes within functional areas. It does not combine functional areas or provide relative priorities.

Defense-Related Activities

Army National Guard: Opportunities To Improve the Condition and Operation of Armories

HRD-86-49, 08/07/86

Background

In response to a congressional request, GAO reported on: (1) the Army National Guard's expanding federal role; (2) the adequacy of armories to accommodate the Guard's changing federal mission; (3) states' ability and willingness to pay their required 25-percent matching share for construction costs and 100 percent of maintenance and repair costs for state-owned armories; and (4) recent actions and proposals to increase the federal share of armory operating costs.

Findings

GAO found that: (1) since the Department of Defense (DOD) initiated its total force policy in 1970, the Guard's national defense role has expanded, placing new demands on the Guard's 2,655 state-owned armories; (2) troop levels have increased by over 25,000; (3) the number of full-time federal personnel working in the armories has increased, as has the amount of equipment stored at them; and (4) 42 percent of the armories were inadequate, largely due to lack of sufficient training, office space, and equipment storage space. According to the state adjutants general: (1) many armories were in a poor state of repair, resulting in an estimated $172-million backlog of maintenance and repair projects; (2) replacement or repair of armories is dependent on the availability of state funds; and (3) states have not committed the funds needed for construction, modification, maintenance, and repair because of fiscal problems, a relatively low priority placed on Guard facilities,

and the expectation that armories would primarily carry out the federal mission.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should require the Chief of the National Guard to develop and implement a policy to consider each state's maintenance and repair record when reviewing the state's proposal for the construction of new armories.
Status: Action in process. A memo has been sent to the National Guard to assess the status of its implementation of the GAO recommendations.

Recommendation: The Secretary of Defense should require the Chief of the National Guard to develop and implement procedures to annually monitor the backlog of maintenance and repair projects of armories similar to nonarmory facilities.
Status: Action in process. A memo was sent to the National Guard to determine the status of its efforts to implement the GAO recommendations.

Defense-Related Activities

Medical Readiness: The U.S. Army Can Improve Its Management of POMCUS Hospital Equipment in Europe

NSIAD-86-197, 09/09/86

Background

GAO reviewed the Army's management of Prepositioned Overseas Materiel Configured to Unit Sets (POMCUS) hospital equipment in Europe.

Findings

GAO found that: (1) the U.S. Army, Europe, and Seventh Army (USAREUR) may be requisitioning unnecessary equipment for 11 POMCUS hospitals that will continue to have minimal capabilities until they receive deployable medical systems (DEPMEDS); (2) USAREUR cannot effectively manage its POMCUS medical equipment because of systematic weaknesses in the requisitioning procedures; (3) five USAREUR POMCUS general hospitals are capable of providing only limited medical support; and (4) USAREUR needs to more closely monitor the equipment status of its POMCUS hospitals.

Open Recommendations to Agencies

Recommendation: To ensure that the capabilities of the five pre-DEPMEDS POMCUS general hospitals are developed in an efficient and an effective manner, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to expedite efforts to acquire and develop warm-based sites.
Status: Action in process. Two hospitals have been warm-based. The Army is pursuing sites for an additional three hospitals with host nations.

Recommendation: To ensure that the capabilities of the five pre-DEPMEDS POMCUS general hospitals are developed in an efficient and an effective manner, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to identify and redistribute any excess items.
Status: Action in process. Excess items were identified and are being redistributed as claimants for the property surface.

Recommendation: To ensure that the capabilities of the five pre-DEPMEDS POMCUS general hospitals are developed in an efficient and an effective manner, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to determine what nonmedical equipment is available at the warm-based sites or through host nation support.
Status: Action in process. Action is being taken to identify available nonmedical equipment at warm-based sites. This was accomplished for two sites and will be accomplished when the remaining three sites are identified.

Recommendation: To ensure that USAREUR can effectively manage its POMCUS hospital equipment and properly prepare for its wartime medical mission, the Commander-in-Chief, USAREUR, should direct the Commander, 7th MEDCOM, to coordinate the development and installation of a medical equipment set management information system for the U.S. Army Medical Materiel Center, Europe (USAMMCE).

Status: Action in process. Estimated completion date: 12/88. The current system is being modified to include USAMMCE requirements.

Defense-Related Activities

Test Range Needs: Future Navy Underwater Range Requirements Need To Be More Fully Assessed

NSIAD-87-30BR, 10/31/86

Background

Pursuant to a congressional request, GAO reviewed the Navy's progress in conducting an assessment of its underwater range requirements.

Findings

GAO found that: (1) the Navy has not yet developed a comprehensive, coordinated range-assessment plan incorporating all underwater requirements; (2) although 3 years have elapsed since Congress requested such an assessment, the Navy has neither collected nor analyzed all underwater range requirements data nor provided a comprehensive report containing conclusions and recommendations; (3) the scope of the Navy's current assessment to complete its 20-year range development plan was comprehensive; and (4) in order to accomplish its goals and objectives, the Navy needs sufficient time and effort to thoroughly collect and analyze data, draw conclusions, and make decisions to implement recommendations concerning the use of ranges in foreign waters under agreements involving millions of dollars in compensation. GAO believes that this will require effective and timely management oversight and review to ensure that the Navy will adequately meet its objectives and be available in lease renewal decisions in order to mitigate the effects of potentially serious limitations on cost and range-usage data and the impediments to improving range facilities caused by different funding sources.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Secretary of the Navy to provide the defense appropriations, authorizations, and oversight committees the results of its current range assessment for use in: (1) deciding on whether to renew the current Atlantic Undersea Test and Evaluation Center (AUTEC) agreement; and (2) determining the justification for Navy test range improvement and modernization plans for all major underwater facilities.
Status: Action taken not fully responsive. The Navy completed the ASW range assessment and provided it to Congress. The assessment plan was dated July 1, 1987; however, the plan did not specifically address AUTEC or provide justification for its continued use.

Recommendation: The Secretary of Defense should direct the Secretary of the Navy to resolve the fragmented range management problem and develop compatible range-usage and cost data.
Status: Action taken not fully responsive. The Navy established a board to review and oversee test resources, needs, and process. However, the Navy still manages the ranges the same as it always has. Also, compatible range usage and cost data has not yet been developed.

Defense-Related Activities

Hazardous Waste: DOD Efforts To Preclude Disposal of Contaminated Property Need Improvement

NSIAD-87-45, 12/15/86

Background

In response to a congressional request, GAO evaluated the Department of Defense's (DOD) efforts to preclude the disposal of contaminated excess real property.

Findings

GAO noted that federal property management regulations require federal agencies to report excess property to the General Services Administration (GSA), including whether the property's present condition would be hazardous to health and safety. GAO found that: (1) the military services' reports were often either missing or incomplete; (2) because the services have conducted incomplete inspections, they may risk exposing the public to hazardous waste contamination and increase the government's potential liability for future cleanups; (3) since excess real properties can be part of active installations, they are sometimes located in the vicinity of potential hazardous waste sites; and (4) the services do not require evaluations of the effects of possible contamination migration, although state environmental officials stated that migration could affect excess real property and the government's liability for future decontamination expenses.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the services to: (1) require that both records searches and visual inspections be performed and documented; (2) mutually agree to and use consistent criteria in the identification of potential contamination and certification of excess real property; and (3) update disposal documentation for excess real properties that are still in the disposal process to conform with current requirements.
Status: Action in process. DOD, in coordination with the military services, is drafting policy for excessing property with the potential for contamination.

Recommendation: The Secretary of Defense should emphasize to the services the importance of disclosing to GSA the potential contamination on the excess property identified through a records search and a visual inspection, actions taken to confirm the extent of contamination, and plans for any necessary decontamination.
Status: Action in process. DOD, in coordination with the military services, is drafting policy for excessing property with the potential for contamination.

Recommendation: The Secretary of Defense should direct the services to require in their disposal policies, and fully disclose to GSA, an evaluation of any potential contamination migrating from hazardous waste sites in the vicinity of the excess property.
Status: Action in process. DOD, in coordination with the military services, is currently drafting policy for excessing property with the potential for contamination.

Defense-Related Activities

Chemical Warfare: Planning for Protective Chemical Shelters Needs To Be Improved

NSIAD-87-61, 02/13/87

Background

In response to a congressional request, GAO reviewed Air Force plans to acquire chemical protection shelters at overseas locations to: (1) evaluate the Air Force's requirements and planning, particularly for long-term rest and relief; and (2) determine if the Air Force could reduce overall costs.

Findings

GAO found that, when the Air Force was installing the first survivable collective protection systems (SCPS), it: (1) was still in the process of identifying the necessary support items and establishing the policies and requirements for its operations; (2) had not determined what equipment and supplies were necessary to operate SCPS after construction; (3) had not identified training and personnel requirements for peacetime and wartime maintenance operations; (4) had established requirements for over 1,400 SCPS in Europe, but its calculations did not include mobile units that could use transportable chemical shelters rather than SCPS; (5) overstated its long-term requirements at three missile bases; and (6) did not know the total SCPS program cost.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should reevaluate SCPS and mobile units requirements based on specific base and unit information and ensure that the plan for managing, operating, and maintaining SCPS is finalized.

Status: Action in process. The Air Force decided to reduce the number of SCPS by 150 and will review the requirements on an annual basis. It has not yet developed a plan for managing, operating, and maintaining SCPS, but has issued interim technical guidance.

Defense-Related Activities

Hazardous Waste: DOD Installations in Guam Having Difficulty Complying With Regulations

NSIAD-87-87, 04/22/87

Background

In response to a congressional request, GAO evaluated the Department of Defense's (DOD) efforts to manage, store, and dispose of the hazardous waste generated at installations in Guam.

Findings

GAO found that: (1) DOD installations in Guam were not in compliance with the Resource Conservation and Recovery Act's requirements; (2) most of the violations were serious, and many were repetitive; (3) the most common violation involved inadequate pretransport packaging and labeling measures and improper container use and management; (4) there were many instances where maintenance activities had improperly dumped or spilled hazardous waste which ran off into storm drains and dry wells; (5) there were significant discrepancies in the shipping and receiving numbers on manifests; (6) the lack of adherence to procedures caused problems in accounting for all hazardous wastes; and (7) DOD had not reconciled any of the discrepancies found in its disposal documents.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct Air Force and Navy officials in Guam to take actions to ensure that all personnel handling

hazardous waste know the proper procedures for disposing of the waste so as to eliminate the dumping of wastes in ways that could contaminate the environment.
Status: Action in process. A study team is investigating the situation at the bases in Guam to determine what actions are needed. This work is continuing.

Recommendation: The Secretary of Defense should direct the Defense Reutilization and Marketing Office in Guam to place more emphasis on its procedures for reconciling discrepancies between what is listed on each disposal document for hazardous waste, including delivery orders, pickup orders, manifests, and the Integrated Disposal Management System.
Status: Action in process. A study team is investigating the situation at the bases in Guam to determine what actions are needed. This work is continuing.

Defense-Related Activities

Information Security: Special Access Document Control at Northrop's Advanced Systems Division

NSIAD-87-79, 06/23/87

Background

In response to a congressional request, GAO reviewed Department of Defense (DOD) actions to ensure that the classified document control system for the Advanced Technology Bomber, a special access program, properly accounts for and protects classified documents.

Findings

GAO found that: (1) the contractor's document control system provides accurate status information on its accountable classified documents; (2) the contractor and DOD periodically audit and inspect the document control system; and (3) although the contractor's document control system complies with DOD security requirements, the contractor needs to improve its investigation of missing items and destruction of unaccountable classified waste.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Deputy Under Secretary of Defense for Policy to revise the Industrial Security Manual (ISM) to prescribe procedures for screening materials placed in classified waste receptacles before the materials are destroyed.
Status: Action in process. Estimated completion date: 02/88. In August 1987, DIS proposed a change to paragraph 19f of ISM. DIS expects this and other changes to be issued in early 1988.

Defense-Related Activities

Family Housing: DOD Procedures To Identify Housing Needs Can Be Improved

NSIAD-87-110, 07/22/87

Background

GAO reviewed the Department of Defense's (DOD) family housing survey process to determine whether the survey produced accurate and reliable information.

Findings

GAO found that: (1) the survey results did not accurately reflect the need for

additional military-controlled housing, since several procedures and practices limited the accuracy and reliability of housing estimates; (2) one European installation inflated its need for new housing by about 200 percent; and (3) the annual survey may be unnecessary for installations in the Pacific, since housing officials declared all off-base housing unsuitable. GAO also found that the Defense Housing Office is: (1) formulating a new survey methodology to replace the current housing survey process; and (2) testing the new methodology at some installations to determine if it will provide a more accurate determination of housing needs.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Defense Housing Office to redefine the military fair-share ratio as the number of military renters divided by the total number of renters in the community.
Status: Action in process. The new DOD draft regulation stipulates that the ratio be calculated the way GAO recommended.

Recommendation: The Secretary of Defense should direct the Defense Housing Office to redefine available housing to include the percentage of for-sale housing based on the ratio of military homeowners to total homeowners in the community.
Status: Recommendation valid/action not intended. DOD did not concur with this recommendation and will not take any action to implement it.

Recommendation: The Secretary of Defense should direct the Defense Housing Office to assess the percentages used to calculate programming limits in Europe and make sure they are consistent with the Housing Office instructions.
Status: Action in process. DOD is reviewing the use of various percentages and will review each future case on its own merits.

Recommendation: The Secretary of Defense should direct the Defense Housing Office to eliminate the use of the housing survey where housing office records can be used instead, or where the survey is not needed to identify the suitability of housing.
Status: Action in process. The DOD draft regulation leaves the decision to the base commander as to whether to use Housing Office records or the survey.

Defense-Related Activities

Polygraph Training: DOD Program Meets Standards But Expansion Requires Better Planning

NSIAD-87-161, 09/18/87

Background

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) training program for polygraph examiners and its planned expansion.

Findings

GAO found that the polygraph training program meets or exceeds almost all available criteria, but DOD could improve its program by: (1) making faster progress in defining the role of its Polygraph Institute in its polygraph research; (2) developing a policy for nonfederal Institute students; (3) ensuring that the Institute does not have more instructors than it needs; and (4) ensuring that the Institute does not have more polygraph instruments than it needs.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Deputy Under Secretary of Defense for Policy to revise DOD directives to specify the Institute's role in planning, conducting, managing, and evaluating the DOD polygraph research program, and establish a policy with respect to reimbursement for training nonfederal examiners at the Institute.
Status: Action in process. DOD directives are being revised.

Recommendation: The Secretary of Defense should direct the Secretary of the Army to defer constructing a new building until DOD more clearly determines polygraph research and training needs.

Status: Action taken not fully responsive. DOD believes that it has justified construction of a new school building with 36 examining rooms. GAO believes that the size of the proposed school substantially exceeds the government's needs. The 1987 DOD Authorization Act includes $1.9 million for the building.

Recommendation: The Secretary of Defense should direct the Secretary of the Army to assess faculty requirements, resources, and plans to ensure that the number of full-time instructors is maintained at the minimum needed to operate efficiently and effectively.
Status: Action taken not fully responsive. DOD concurred with this recommendation, but did not institute the type of corrective action intended. DOD still believes that it needs one instructor for every two students and plans to maintain 18 instructors, even though classes have seldom been at the capacity level of 36 students.

Recommendation: The Secretary of Defense should direct the Secretary of the Army to reassess the number and type of polygraph instruments needed by the Institute and make any excess instruments available to other Army, DOD, or federal activities that may be planning to acquire such instruments.
Status: Action taken not fully responsive. DOD stated that it had already reassesed its $400,000 procurement of 80 instruments. That number is still substantially more than is needed, and excess instruments should be made available to other DOD or government groups.

Defense-Related Activities

Nuclear Health and Safety: Radiation Exposures for Some Cloud-Sampling Personnel Need To Be Reexamined

RCED-87-134, 09/29/87

Background

In response to a congressional request, GAO examined the Department of Defense's atmospheric nuclear weapons testing program to determine: (1) how many military personnel participated in the cloud-sampling work between 1952 and 1962 during operations Tumbler-Snapper, Redwing, and Dominic 1; and (2) the extent of their exposure to radiation.

Findings

GAO found that: (1) approximately 300 Air Force personnel took part in the sampling; (2) the amount of radiation personnel received was questionable due to inadequate information; (3) at two of the test sites, ground personnel failed to wear protective breathing devices when working around the aircraft used for the sampling; and (4) the records gathered at two of the sites contained a high error rate. GAO also found that: (1) the methods used to measure internal exposure to radiation were inadequate, since only one urine test was performed within a 24-hour period; (2) the monitoring devices installed in the cockpits showed a higher level of exposure than the devices the crews wore; and (3) individual records kept at one of the test sites showed a 6-percent error rate.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Defense Nuclear Agency (DNA) to correct the GAO-identified errors in the film badge exposure records of cloud-sampling personnel participating in operations Redwing and Dominic 1 and, given the frequency of such errors identified, review for similar errors the film badge exposure record of each Air Force individual who participated in any of the other atmospheric nuclear weapons tests.
Status: Action not yet initiated. GAO is awaiting the DOD response to the report.

Recommendation: The Secretary of Defense should direct DNA to use integron readings in conjunction with film badge readings to better define the radiation dose received by cloud-sampling personnel for all atmospheric nuclear weapons tests, including operations Redwing and Dominic 1.
Status: Action not yet initiated. GAO is awaiting the DOD response to the report.

Department of Defense - Military (Except Procurement and Contracting)

Potential Reductions in Aircraft Operation and Maintenance Costs by Using Thrust Computing Support Equipment

PLRD-82-4, 10/27/81

Background

In response to a congressional request, GAO evaluated the Department of Defense's (DOD) efforts to save fuel and reduce maintenance costs on turbine jet engines through thrust and power management and studied the feasibility of using certain equipment which has the capability of measuring the thrust of engines while installed in aircraft.

Findings

The analyses showed that the accurate measurement and setting of thrust for installed jet engines is of vital importance, not only for aircraft readiness and safety, but also for operation and maintenance cost reductions. Although test results indicate that a system is available that can perform such measurements, the services have not been using it. The Air Force conducted extensive tests of the thrust-computing support equipment that will measure thrust for installed J85-5 engines. Although the Air Force decided to implement the thrust-computing system for its J85-5 engines, the system may not be implemented due to a lack of funding. If funds are not made available soon, the system may never be implemented. If this occurs, the Air Force will lose millions of dollars already invested in the program, in addition to millions in projected savings. Furthermore, failure to implement the system may reduce aircraft readiness. The Navy has not performed any tests to determine whether its aircraft jet engines might benefit from such a system. According to the contractor, the system can offer similar significant benefits for Navy aircraft engines.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Secretary of the Air Force to ensure that adequate plans are prepared to monitor implementation of the thrust computing support equipment for the J85-5 engines at Laughlin Air Force Base and to verify and evaluate the benefits of the system.
Status: Action in process. Estimated completion date: 01/88. Action to implement this recommendation is still in process. The DOD Inspector General (IG) is currently investigating the Air Force's failure to implement this recommendation. The final audit report is anticipated by January 1988.

Recommendation: The Secretary of Defense should direct the Secretary of the Air Force to develop a plan to ensure that the system will be timely implemented on the J79 engines if the system functions as well as expected on the J85-5 engines.
Status: Action in process. Estimated completion date: 01/88. Action to implement this recommendation is still in process. DOD/IG is currently investigating the Air Force's failure to implement this recommendation. The final audit report is anticipated by January 1988.

Department of Defense - Military (Except Procurement and Contracting)

Management Control of the Department of Defense Overseas Dependents Schools Needs To Be Strengthened

HRD-83-3, 11/04/82

Background

GAO reported on the need for strengthening management control of the Department of Defense Dependents Schools (DODDS) overseas.

Findings

GAO found that the DODDS financial management system does not give managers the timely and accurate information necessary to plan for and control use of the school system's resources. DODDS has no accounting system; at present, accounting services are provided by four organizations. In addition, the school system has no adequate system of internal management controls to ensure, among other things, that receipts are properly accounted for and that goods and services paid for are received. Finally, GAO found that DODDS does not have authority to disburse funds. These conditions deprive management of information needed to ensure that the allotment of funds from the Department of Defense (DOD) is not overexpended.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should: (1) develop accounting and internal management control systems in DODDS, as required by the Budget and Accounting Procedures Act of 1950; (2) develop a uniform financial coding system applicable to DODDS activities worldwide; and (3) establish a streamlined procedure for recording disbursements of DODDS funds in the school system's accounting records.
Status: Action in process. Estimated completion date: 12/87. Part one and two were completed as of December 15, 1986. DODDS plans action on part three during the first quarter of fiscal year (FY) 1988.

Recommendation: The Secretary of Defense should direct the Director, DODDS, to: (1) return to the reimbursable concept in obtaining logistics support services; (2) revise DOD Manual 1342.6-M-1 to require monthly billing with prompt follow-up for recurring logistics support services; (3) ensure that all support agreements are brought current and maintained in that status and that they contain specific details relating to the nature and cost of the support services to be provided; and (4) develop and implement a financial management training program for school principals so that they can fulfill their responsibilities in monitoring and controlling logistics support costs.
Status: Action in process. Estimated completion date: 12/87. Part four was completed on September 10, 1987. DODDS plans action on the remaining parts, especially revisions to the manual during the first quarter of FY 1988.

Department of Defense - Military (Except Procurement and Contracting)

More Effective Use of Contract Airlift Could Reduce DOD Transportation Costs

PLRD-83-55, 04/22/83

Background

GAO reported on the Department of Defense's (DOD) use of aircraft under contract from commercial air carriers.

Findings

GAO found that DOD is losing millions of dollars annually because of empty seats on aircraft under contract from commercial carriers. The Military Airlift Command (MAC) spent $228 million in fiscal year (FY) 1981 and about $250 million in FY 1982 to airlift military and

civilian personnel on contracted international flights. GAO found that a significant number of empty seats existed on these flights. There are two major reasons for these empty seats: (1) passengers did not show up for flights as scheduled; and (2) the services apparently did not generate the volume of passengers anticipated at the time their requirements were submitted to MAC. In FY 1981, the no-show rate was 13.5 percent. In FY 1982, the no-show rate climbed to 14.7 percent. GAO estimated that empty seats caused by no-shows cost $13.5 million annually. This estimate of savings was reduced to give consideration to overbookings and passengers who walk in and actually use seats that were intended for use by no-shows. In addition, GAO estimated that underutilization of seating capacity for reasons other than no-shows cost DOD another $13 million annually. At present, if authorizing orders are issued, military personnel have the option of buying tickets with their own funds, with subsequent reimbursement not to exceed the MAC tariff rate, which leaves empty seats on MAC flights.

Open Recommendations to Agencies

Recommendation: DOD should revise DOD Directive 4500.9 to require that the military services use the MAC airlift, where appropriate, and that order-issuing authorities be given guidance in revised travel regulations as to specific conditions under which authorized orders can be issued. In addition, DOD should consider revising the Joint Travel Regulation (JTR) provision governing civilian travelers to require them, like their military counterparts, to use the MAC-provided airlift.

Status: Action in process. OSD is pursuing a MAC rate reduction. It will evaluate the impact of this action and reflect the outcome in a revision to DOD Directive 4500.9. OSD also directed that JTR civilian provisions be brought into line with the military. The change has not yet been made. Interim policy was established requiring the use of MAC-owned or contracted airlift when available and meets minor requirements.

Department of Defense - Military (Except Procurement and Contracting)

The Air Force Equipment Management System Still Does Not Assure Control of Nonexpendable Equipment

NSIAD-83-20, 07/28/83

Background

GAO reviewed how the Air Force Equipment Management System (AFEMS) accounts for nonexpendable equipment valued at over $15 billion.

Findings

Substantial amounts of proposed equipment purchases in the Air Force budget depend on AFEMS accuracy. To determine net requirements for its budget, the Air Force identifies gross requirements and subtracts equipment on hand. However, problems in accounting for that equipment hinder the Air Force's ability to accurately compute quantities of equipment to include in its budget. GAO concluded that, although the Air Force modernized AFEMS and tried to establish inventory baseline data for all assets, system weaknesses still limit assurances that requirements are based on accurate and complete information. Based on its review, GAO suggested that the Air Force may need to reconcile data and establish baselines for one equipment category at a time.

Open Recommendations to Agencies

Recommendation: The Secretary of the Air Force should bring to bear the necessary management attention and resources to reestablish control over Air Force equipment on hand to help ensure accurate computation of future equipment requirements.

Status: Action in process. Estimated completion date: 12/88. The Air Force conducted a study to validate the systems that provide data to the requirements computation system. The study identified 34 problems. Twenty-one problems have been solved, or otherwise resolved, and thirteen are still being worked on. The final resolution date will be December 1988, at the earliest.

Recommendation: The Secretary of the Air Force should direct the Air Force Logistics Command (AFLC) to establish system controls to reconcile equipment inventories from one period to the next and to report variances.

Status: Action in process. Estimated completion date: 01/89. The Air Force concurred with this recommendation

and initiated several efforts to identify specific actions needed to establish system controls. Final implementation of corrective action is expected by December 31, 1988.

Recommendation: The Secretary of the Air Force should direct AFLC to validate field-reported data through use of control files.
Status: Action in process. Estimated completion date: 06/88. The Air Force concurred with this recommendation and initiated several efforts to identify specific actions needed to validate field reported data. Final implementation of corrective action was expected by July 11, 1987. However, slippage occurred and now final resolution will probably not take place before June 1988.

Recommendation: The Secretary of the Air Force should direct AFLC to provide guidance and procedures to item managers for accounting for equipment under the new automated system. As a minimum, the guidance should: (1) identify the documents needed for manual reconciliations; (2) define acceptance levels of accuracy; and (3) prescribe how variances should be corrected.
Status: Action in process. Estimated completion date: 12/87. The Air Force concurred with this recommendation and initiated various efforts to identify specific actions necessary to satisfy this recommendation. Full implementation is expected in December 1987.

Recommendation: The Secretary of the Air Force should direct AFLC and the major commands to improve the accuracy of data reported to AFEMS by analyzing and correcting variances in specific problem areas, such as intransit equipment, onboard aircraft equipment, condemned equipment, and equipment procured outside of AFLC.
Status: Action in process. Estimated completion date: 10/90. The Air Force concurred with this recommendation and initiated various efforts to address it. Full implementation is not expected before fiscal year 1991.

Department of Defense - Military (Except Procurement and Contracting)

How Well Do the Military Services Perform Jointly in Combat? DOD Joint Test-and-Evaluation Program Provides Few Credible Answers

PEMD-84-3, 02/22/84

Background

In response to a congressional request, GAO reviewed the Department of Defense's (DOD) joint test-and-evaluations (JT&E) program, which was established in 1971, to determine how well the military services can perform their missions and roles in joint operations under combat conditions.

Findings

GAO found that the office responsible for JT&E of DOD weapon systems has been dependent on organizations with vested interests in JT&E results. Joint tests have been managed, carried out, and partially funded by the individual services, which have vested interests in the results. It is not yet clear how new legislation will affect the organization of the program or alter JT&E dependence on the services for resources and capabilities. Most of the JT&E that have been completed were requested by organizations within the Office of the Secretary of Defense (OSD) while the Joint Chiefs of Staff and the services have been infrequent requesters of joint tests. In the three JT&E which GAO analyzed in depth, it found that: (1) factors important to judging operational effectiveness were omitted; (2) the validity of the test data could seriously be questioned; (3) the data were often not qualified with respect to the tests' constraints; (4) conclusions and recommendations were not always supported by test results; (5) the reports did not always address the concerns of the requesters; and (6) the requesters made little use of the tests. GAO believed that the reasons for the flaws of the joint tests could lie in the organizational structure of the program including: (1) its organizational placement; (2) its limited staff size; (3) failure to choose staff members for their testing expertise; (4) its limited budget; (5) its dependence on the services for resources; and (6) the absence of a strategic plan that sets priorities.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should, if he determines that DOD needs the JT&E program, take the further steps that are necessary to: (1) ensure that priorities are established for conducting JT&E programs; (2) endow the JT&E program with enough independence, permanence of expert staff, and control of resources to allow the program to conduct and report on joint tests and evaluations that are high in quality and provide relevant information to their requesters and other users; and (3) require the JT&E program director to develop routine procedures that will ensure that thorough records of test data, test results, and their use are maintained.
Status: Action in process. Estimated completion date: 07/88. DOD concurred with this recommendation and is implementing it. The JT&E manual is being updated, and DOD is examining the approach used by GAO to analyze the results of tests for inclusion of applicable elements in the manual. The House Armed Services Committee requested that GAO do a follow-up study to examine the quality and reporting of DOT&E, the independent office.

Department of Defense - Military (Except Procurement and Contracting)

Ensuring Retention of Essential Civilians Overseas During Hostilities

NSIAD-84-73, 03/14/84

Background

GAO conducted a study to determine: (1) whether the military services were reasonably sure that contractor and Department of Defense (DOD) civilian support personnel would be available when needed overseas in the event of an outbreak of war; and (2) what actions might be taken to ensure continuity of essential functions during mobilization and conflict.

Findings

Recent studies have estimated that as many as 6,000 overseas U.S. civilian and contractor personnel are essential to maintain weapons systems and military equipment. There is reason for concern that some essential employees would choose not to stay at their jobs if they thought that conditions were excessively dangerous. Within the projected group of essential civilians, there is a smaller subset of critically needed civilians whose loss could be debilitating. DOD officials have suggested several alternatives to address the situation, including: (1) requiring civilians to remain at their posts under penalty of criminal sanctions; (2) expanding jurisdiction under the Uniform Code of Military Justice to cover civilians in situations not involving a declaration of war; (3) requiring military reserve status for civilians in essential positions; (4) requiring agreement to accept officer status upon mobilization; (5) requiring written agreements from civilians performing essential functions; or (6) requiring contract provisions aimed at ensuring retention of essential contractor personnel. However, progress in defining the extent and significance of the problem and in improving the situation has been slow. DOD has recently issued draft policy guidance intended to ensure retention of essential civilians, which calls for the use of written agreements and contract provisions for danger pay and evacuation of dependents. However, there has been some doubt about the effectiveness of such an approach because only administrative sanctions could be imposed on violators.

Open Recommendations to Agencies

Recommendation: DOD should expand its current policy proposals to include more specific guidance on what constitutes an essential civilian.
Status: Action in process. The Navy implemented DOD Directive 1404.10 in July 1987. The Air Force and Army plan to implement it by the end of 1987. DOD Directive 3025.XX (draft) is in the final stages of processing and should be issued shortly.

Recommendation: DOD should expand its current policy proposals to include the identification of the subset of very critical civilian positions.
Status: Action in process. The services and defense agencies have responded to the Assistant Secretary for Defense, and all with critical and essential (CE) civilians are reporting them to Defense

Manpower Data Center, except the Defense Logistics Agency (DLA). DLA will begin after publishing its supplement to DOD 1404.10.

Recommendation: DOD should expand its current policy proposals to include the tailoring of policy alternatives, based on the essentiality of individual positions, to provide an acceptable level of assurance that CE civilians will remain at their posts, focusing first on those whose loss would have the most severe impact on combat missions.

Status: Action in process. The Office of Management and Budget is staffing with the Office of Personnel Management and interested agencies the DOD CE civilian proposed draft legislation, as amended on May 8, 1987.

Department of Defense - Military (Except Procurement and Contracting)

Department of the Army's Program To Modify 155-mm. M109 Self-Propelled Howitzers to an M109A5 Configuration

NSIAD-84-60, 03/26/84

Background

GAO reviewed the Army's program for modifying some of its self-propelled howitzers, a program estimated to cost $1.5 billion.

Findings

The Army has deferred approving the full-scale development of the improved howitzers because a cost and operational effectiveness analysis is still in progress, more definitive information on the number of howitzers that should be modified is needed, and the cost estimate needs to be updated. GAO believes that the Army exercised exemplary caution in withholding its approval considering the program uncertainties. The Army has consistently shown its concern about the program's affordability when it has rejected several costly alternative modification programs. GAO found that the Army has a program to procure new armored ammunition supply vehicles which would replenish the howitzer's supply of ammunition. The Army's current ammunition supply vehicle is unarmored and affords little protection to the crew or equipment. However, the Army plans to procure only enough armored ammunition supply vehicles to supply half of the howitzers which would be developed. The benefits resulting from improvements to the howitzers may be offset by the fact that the majority of the howitzers will continue to operate with an ammunition supply vehicle which lacks adequate protection. In addition, GAO believes that more information is needed on the operational availability during wartime of the cannon and the effect of the proposed added weight on the howitzer's mobility.

Open Recommendations to Agencies

Recommendation: If the decision is to continue into full-scale development, before contracting for modification of a large number of howitzers, the Secretary of the Army should ensure that the tests in the next acquisition phase adequately demonstrate that the selected cannon replacement will achieve the Army's availability goal and the added weight resulting from the modifications will not materially degrade the howitzer's mobility.

Status: Action in process. Estimated completion date: 01/89. DOD concurred and plans to test availability and mobility during full-scale development. The start of full-scale development was delayed, and consequently testing of the cannon replacement has been delayed until fiscal year 1989.

Department of Defense - Military (Except Procurement and Contracting)

Confusion Over Validity and Effects of Purported Petty Officer Shortage

NSIAD-84-30, 06/27/84

Background

Pursuant to a congressional request, GAO reviewed the validity and effects of a purported shortage of petty officers in the Navy, focusing on: (1) the Navy's longstanding claim of a shortage; and (2) Navy plans to increase the number of petty officers.

Findings

GAO found that: (1) the Navy determined that a shortage of petty officers existed because it had more lower-grade enlisted personnel and fewer petty officers than it believed it needed; and (2) confusion was generated because the Navy failed to clearly define the shortage before congressional hearings. In addition, GAO found that: (1) the Navy's determinations of its manpower needs are not derived from objective measures; (2) the purported shortage has no effect on combat readiness or mission capability; (3) plans to increase the number of petty officers would be costly; and (4) the benefits of such an increase are not known.

Open Recommendations to Agencies

Recommendation: The Secretary of the Navy should clearly identify the sources of all data used in calculations of enlisted personnel needs, authorizations, and shortages in all presentations of manpower and personnel issues to Congress.

Status: Action taken not fully responsive. The Navy's presentations of its petty officer shortfalls have been more detailed and definitive; however, the data sources used often have not been identified. Because statements about petty officer shortfalls will increase in fiscal year 1989 as a result of proposed budget cuts and end-strength restrictions, there is a need for clarity in presentations and identification of data source groups.

Department of Defense - Military (Except Procurement and Contracting)

Opportunities To Improve the DOD Personal Property Shipping Program

NSIAD-85-10, 11/09/84

Background

GAO reviewed the Department of Defense's (DOD) Personal Property Shipping Program to identify opportunities to reduce costs and improve the efficiency of the program.

Findings

GAO found that DOD has been consolidating its personal property shipping offices and planning to automate them. However, due to a lack of coordination, the full potential for consolidation cannot be achieved and money may be spent to automate offices that should be merged with others. In addition, GAO found that, due to the delay in the development of a standardized automated system for use in managing its shipping program, many offices have become frustrated and developed their own systems, which are not compatible and cannot be merged with a standardized system. On November 8, 1983, a DOD memorandum was issued restricting the development of additional new systems. Finally, GAO found that the DOD cost of storing household goods awaiting delivery has increased substantially since 1978. These costs could be reduced significantly if DOD leased storage space and provided the service in-house or used government-owned space where available, rather than having moving companies arrange space.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Assistant Secretary for Defense, Manpower, Installations, and Logistics, to expedite development of a standard automated system for processing personal property shipments, while closely monitoring compliance with the November 8, 1983, memorandum restricting independent development of shipments.
Status: Action in process. Estimated completion date: 07/88. Development of the system has been delayed due to difficulties in developing software and a request for proposal. It is now expected that CONUS deployment of the system will begin in July 1988.

Recommendation: The Secretary of Defense should direct the Assistant Secretary of Defense, Manpower, Installations, and Logistics, to integrate plans to automate the personal property shipping offices with plans to consolidate them.
Status: Action in process. Estimated completion date: 12/87. DOD is developing a refined shipping office consolidation plan. Each consolidation area will prepare a 5-year plan. Projected completion has slipped to December 1987.

Department of Defense - Military (Except Procurement and Contracting)

Observations on Ways the Navy Can Improve Curricula Development for Initial Skill Training

NSIAD-85-33, 12/18/84

Background

GAO reviewed selected Navy schools which provide initial skill training for entry-level sailors to determine whether the Navy's system for developing curricula adequately considers the diversity inherent in Navy occupations.

Findings

In many cases, GAO found that the jobs required of sailors in the same occupations varied between shore duty and sea duty, as well as among ships. Without a thorough analysis of what should be taught, this diversity could result in curricula that include many tasks that are seldom performed at the entry level. Teaching skills which are not needed results in longer courses than necessary, increased costs, delays in getting sailors to the fleet, and a reduction in the number of personnel that can be trained. In an analysis of four occupational schools, GAO found that each school taught some tasks needed by less than 30 percent of the sailors. In addition, one occupation had very few tasks, and these tasks were being taught at both the entry-level school and the fleet training center. Although curricula changes are being made, GAO found that the schools still teach tasks not needed by most entry-level sailors, thereby unnecessarily extending training time. If material not needed by entry-level sailors were deleted from the school courses, one school's time period could be reduced by 4 weeks, two schools' time periods could be reduced by 2 weeks each, and another school's time period could be reduced by 3 weeks or eliminated by sending sailors to fleet training centers where the same material was being taught.

Open Recommendations to Agencies

Recommendation: The Secretary of the Navy should, in developing new guidelines for curriculum development, ensure that there are provisions for specific use of data that identify the percentage of entry-level sailors in an occupation performing a task.
Status: Action in process. Estimated completion date: 12/87. The Navy is revising an instruction which will require specific reasons for retaining a particular task; however, the instruction has not been issued.

Recommendation: The Secretary of the Navy should, in developing new guidelines for curriculum development, require identification of material in the curriculum that is needed by few sailors in an occupation and documentation of reasons for including that material.
Status: Action in process. Estimated completion date: 12/87. The Navy is revising an instruction to ensure that all required tasks are documented and justified; however, the instruction has not been issued.

Department of Defense - Military (Except Procurement and Contracting)

DOD Making Progress in Identifying and Marketing Obsolete Repair Parts

NSIAD-85-47, 02/21/85

Background

In a follow-up review of obsolete items held in Department of Defense (DOD) inventories, GAO: (1) determined if DOD is still maintaining large inventories of obsolete repair parts; and (2) reviewed actions taken to offer these repair parts for sale to foreign governments.

Findings

GAO found that aggressive actions by the military services to identify and initiate system support buy-outs through Foreign Military Sales (FMS) program channels could reduce the possibilities of either unnecessarily holding obsolete repair parts in service inventories or needlessly disposing of repair parts still needed by friendly foreign governments. Also, according to DOD, buy-out programs enhance logistics support to foreign allies. The Air Force and the Navy have made significant progress in implementing buy-out programs.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that deactivation of weapon systems is coordinated on a timely basis between system managers and inventory control personnel so that obsolete repair parts can be promptly identified.
Status: Action in process. GAO will continue to monitor Air Force and Navy sales.

Recommendation: The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that item application files are accurately maintained to facilitate the identification of obsolete repair parts, which should be offered to friendly foreign governments through buy-out agreements.
Status: Action in process. GAO will continue to monitor Air Force and Navy sales.

Recommendation: The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that item management specialists routinely review their repair parts to identify obsolete material.
Status: Action in process. GAO will continue to monitor Air Force and Navy sales.

Recommendation: The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that cooperative logistics supply support arrangements are amended to remove obsolete repair parts. Stock levels of these parts should be identified, and the countries involved should be requested to withdraw their material equities in the inventory held for them and be offered an opportunity to buy any additional obsolete parts remaining after the withdrawals.
Status: Action in process. GAO will continue to monitor Air Force and Navy sales.

Department of Defense - Military (Except Procurement and Contracting)

DOD Should Adopt a New Approach To Analyze the Cost Effectiveness of Small Hospitals

HRD-85-21, 03/15/85

Background

GAO discussed the need for the Department of Defense (DOD) to adopt a new approach to analyzing the cost-effectiveness of providing inpatient services at small hospitals.

Findings

GAO found, through its studies of nonfederal hospitals, that smaller hospitals are less economical to operate than larger ones. The studies indicate that the most economical hospital size is between 200 and 300 beds. GAO also found that, in fiscal year (FY) 1983, DOD operated 69 hospitals having daily inpatient loads of 50 or less. The cost to operate these hospitals totalled about $506 million. Using a model that compared the costs of operating small military hospitals to the estimated costs of converting them to outpatient clinics, GAO found that DOD could have saved $3.9 million in FY 1981 costs had it converted smaller hospitals to clinics.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Assistant Secretary of Defense for Health Affairs and the Surgeons General of the Army, Navy, and Air Force to: (1) develop criteria to determine when providing inpatient services at small military hospitals is economical and necessary to meet the wartime or peacetime benefit missions, and the criteria should include the minimum work load needed to justify offering inpatient care, the distance to other civilian or federal hospitals, alternative treatment settings for active duty patients who require limited care, and other relevant considerations; (2) use a methodology similar to the one discussed in this report, and analyze each small military hospital in the direct-care system to determine its potential for conversion to an outpatient clinic; and (3) perform such analyses before requesting funds from Congress, or before expending any already approved funds, for reconstructing or renovating any small hospital in the DOD system.

Status: Action in process. DOD is developing a Military Health Service System Sizing Model. This model will identify where it might be cost-effective to increase or decrease service. The model GAO developed identified only those facilities where a decrease in services might be cost-effective. Due to operational problems, the model did not become operational until June 1987. Operational analysis has not yet begun.

Department of Defense - Military (Except Procurement and Contracting)

The Navy Can Improve Material Management at Naval Shipyards

NSIAD-85-71, 05/06/85

Background

GAO conducted a review of four naval shipyards to determine the effectiveness of Navy materiel management activities.

Findings

GAO found that the naval shipyards do not effectively determine direct materiel requirements for future overhauls because: (1) complete and accurate usage data are not collected; and (2) historical usage information on prior overhauls is not analyzed. As a result, materiel shortages and surpluses reduce efficiency and increase costs of shipyard depot maintenance. Further, usage information is inaccurate because it includes unused materiel placed in

unrecorded stockpiles instead of being returned to the proper inventory location. Usage information is also inaccurate because it does not include many items used during overhauls that the shipyards have manufactured. Furthermore, materiel planners do not have an adequate management information system. Instead of using the data analysis part of a Naval Sea Systems Command (NAVSEA) automated materiel requirements planning system, shipyards have continued to use ineffective local systems. As a result of ineffective planning, large amounts of unused materiel from prior overhauls have been accumulated. In addition, the shipyards have not performed required physical inventories of shop stores or effectively identified, analyzed, and disposed of excess materiel. Finally, because the shipyards have not been held accountable for implementing NAVSEA systems and procedures, or held their personnel accountable for implementing the procedures, previously identified materiel management problems remain unsolved.

Open Recommendations to Agencies

Recommendation: The Secretary of the Navy should direct the Commander, NAVSEA, to initiate a one-time special project to have shipyards identify and record all existing unrecorded materiel and retain only that materiel allowed by Department of Defense (DOD) and Navy regulations, return all other needed materiel to the supply system, and dispose of materiel that is no longer needed.
Status: Action in process. Estimated completion date: 04/88. Coordination procedures for retail and intermediate levels are being established. The timetable for the one-time project to complete recommended actions is 2 to 3 years.

Recommendation: The Secretary of the Navy should direct the Commander, NAVSEA, to: (1) collect accurate information on materiel used during overhauls; (2) properly account for unused materiel upon the completion of each overhaul; and (3) record all manufactured materiel in the historical usage data base.
Status: Action in process. Estimated completion date: 09/88. Further evaluation of materiel controls is being done under the Navy Industrial Fund Improvement Program (NIIP), scheduled to be completed over the next 3 years.

Recommendation: The Secretary of the Navy should direct the Commander, NAVSEA, to adopt and implement a materiel requirements planning subsystem that the shipyards can use to analyze historical usage data.
Status: Action in process. Estimated completion date: 09/88. Final decisions on software purchases to enhance current applications will be made after the NIIP review is completed.

Recommendation: The Secretary of the Navy should direct the Commander, NAVSEA, to ensure that shipyards implement procedures to analyze actual usage data when ordering materiel for future overhauls.
Status: Action in process. Estimated completion date: 09/88. Field testing of 16 enhancements to the Shipyard Materiel Information System is scheduled for completion in December 1987. A decision will then be made regarding future applications.

Recommendation: The Secretary of the Navy should direct the Commander, NAVSEA, to ensure that shipyards: (1) perform the required physical inventories; and (2) properly identify, analyze, and dispose of excess shop-store materiel.
Status: Action in process. Estimated completion date: 09/88. Numerous initiatives associated with NIIP are in process.

Recommendation: The Secretary of the Navy should direct the Commander, NAVSEA, to set organizational goals for each shipyard that address the efficiency and effectiveness of materiel management activities.
Status: Action in process. Estimated completion date: 09/88. Organizational goals will be in Cooper/Lybrand implementation plans. Goals for shipyard functional areas will be established based on the NAVSEA business plan.

Recommendation: The Secretary of the Navy should direct the Commander, NAVSEA, to closely monitor the shipyards' implementation of any changes in guidance concerning physical inventories and excess materiel.
Status: Action in process. Estimated completion date: 09/88. Monitoring plans were suspended pending completion of Cooper/Lybrand implementation plans. NAVSEA plans to monitor shipyard compliance with revised policies by setting up a reporting system. Initial quarterly business reports show inconsistent, incomplete, and inaccurate data. These deficiences must be resolved before accurate reports can be made on inventories.

Recommendation: The Secretary of the Navy should direct the Commander, NAVSEA, to require that shipyards include appropriate standards in the performance appraisals of shipyard employees responsible for materiel management activities and hold them accountable for meeting the standards.
Status: Action in process. Estimated completion date: 09/88. The Cooper/Lybrand review included a recommendation for performance standards. Shipyard operation plans will be reviewed to determine if performance

standards are adequately addressed. A decision on the need to issue separate NAVSEA guidance will be made after that review.

Department of Defense - Military (Except Procurement and Contracting)

Implementing Outpatient Surgery Programs in Military Hospitals Can Reduce DOD's Health Care Costs

HRD-85-23, 05/24/85

Background

GAO reviewed the extent to which outpatient surgery is being practiced in Department of Defense (DOD) hospitals.

Findings

GAO found that: (1) military hospitals have not generally adopted outpatient surgery programs as a means of reducing health care costs; (2) about 65 percent of the cases it reviewed could have been treated on an outpatient basis; (3) expenditures by the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) could have been reduced by up to $3.6 million annually if outpatient surgery programs were implemented at the hospitals reviewed; and (4) its estimate of the number of patients and procedures suitable for outpatient surgery may be conservative because it did not include certain procedures performed on an outpatient basis by nonfederal health care providers. GAO also found that military hospital commanders have not encouraged the implementation of outpatient surgery programs because they believe that: (1) patient population characteristics limit the potential for outpatient surgery; (2) operating room and other facilities at some hospitals could limit full development of outpatient surgery; and (3) outpatient surgery programs could adversely affect hospital staffing by reducing the number of inpatients. In addition, GAO and hospital commanders believe that outpatient surgery programs may not result in savings to the DOD direct-care system because: (1) while CHAMPUS is centrally funded and administered, the direct-care system is funded and administered by the military services; and (2) patients who would have been treated under CHAMPUS could instead be treated under the direct-care system, resulting in increased costs.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Assistant Secretary of Defense (Health Affairs) to develop a DOD-wide policy on outpatient surgery programs in military hospitals. This policy should require: (1) the development of a list of surgical procedures, similar to the lists developed by Medicare and CHAMPUS, suitable for performance on an outpatient basis in military hospitals; (2) that analyses be made on a hospital-by-hospital basis to determine whether implementing outpatient surgery programs would be cost-beneficial, taking into account the potential for reducing CHAMPUS costs; and (3) the military services to implement formal outpatient surgery programs in all military hospitals where analyses show that this would reduce total DOD health care costs.

Status: Action in process. The recommended policy is under development within DOD. The services have been asked to provide information to the Office of the Assistant Secretary of Defense (Health Affairs) on actions taken to implement ambulatory surgery programs.

Department of Defense - Military (Except Procurement and Contracting)

Improvements Needed in the Army's Program for Developing Extension Training Materials for Use by Soldiers in Field Units

NSIAD-85-73, 06/17/85

Background

GAO reviewed the Army's program for developing extension training materials to improve individual soldier proficiency in field units, including: (1) indications of low usage of Training Extension Course lessons by soldiers in the field; (2) improvements needed in the process for developing extension training materials; and (3) the need for further evaluation before the Army commits itself to procuring a new electronic information delivery system.

Findings

GAO noted that: (1) Army studies, audits, and other data since 1979 have characterized the use of training materials as low for the extension courses; (2) the Army did not have criteria specifying what acceptable usage levels for individual training materials are; and (3) none of the studies or surveys fully explored the reasons for what was characterized and reported as low usage levels. GAO found that the Army has initiated actions to improve its process for developing extension training materials by issuing guidance for development. The U.S. Army Training and Doctrine Command (TRADOC) stated that materials must be needed and wanted by field units on the basis of the identification of critical tasks; however, GAO found that TRADOC schools were not obtaining field unit input on needs for extension training materials. GAO also found that: (1) the Army planned to procure a new electronic information delivery system to be distributed on the basis of user demand; (2) the Army needs to proceed cautiously in procuring the new system for field use until after it has made the needed management improvements in the program for developing extension training materials; and (3) TRADOC needs to define what the determination of field needs for training products means and include it in its guidance procedures for obtaining field unit input.

Open Recommendations to Agencies

Recommendation: To improve the extension training materials program, the Secretary of the Army should direct the Commander, TRADOC, to delineate procedures in TRADOC guidance which specify: (1) how schools should obtain field input on actual needs; and (2) how this input is to be used in developing materials.

Status: Action in process. Estimated completion date: 12/87. TRADOC headquarters has begun to: (1) review and improve procedures for training materials development; (2) ensure the adequacy of the total process; and (3) assess periodically the adequacy of the resulting materials. This will include obtaining field input on needs and guidance on how their input will be used in developing materials.

Recommendation: To improve the extension training materials program, the Secretary of the Army should direct the Commander, TRADOC, to obtain feedback on individual training materials usage and effectiveness for the purposes of incorporating lessons learned into the development of requirements for new extension training materials and determining the need to revise existing materials.

Status: Action in process. Estimated completion date: 12/87. TRADOC, as an element of its review of the process of identifying and meeting field training support needs, has begun to ensure the systematic checking of training materials use and effectiveness. TRADOC is also being tasked with the requirement to periodically assess the effectiveness of the feedback procedure.

Department of Defense - Military (Except Procurement and Contracting)

Management of Naval Supply Center Labor Resources Can Be Improved

NSIAD-85-129, 08/09/85

Background

GAO reviewed the effectiveness of labor resource management at seven naval supply centers.

Findings

GAO found that opportunities exist for better labor resource management at the centers. Between fiscal years 1980 and 1984, annual civilian labor costs increased from $152 to $259 million. In the late 1960's and early 1970's, Department of Defense (DOD) activities used work-measurement techniques as part of a formal program, reporting annual cost savings of $121 million. However, by 1974, the Navy began to deemphasize work measurement. GAO found that the Naval Supply Systems Command (NAVSUP) does not have an effective work-measurement system for the supply centers or an overall plan to develop and implement one. Instead, the supply centers rely on a management information system that is not effective in evaluating the efficiency of the labor force. Some supply centers have individual ongoing projects to improve work measurement, but they are limited in scope. In 1985, NAVSUP initiated a project which includes an industrial engineering survey to determine the most efficient material and work processes flow, develop standards to control the movement of materials, and track work processes. In addition, NAVSUP initiated a physical distribution resourcing plan to determine the cost of physical distribution work at a supply center, project work loads, and determine a labor rate for work loads to measure performance against. The Navy planned to expand the use of the rate system at supply centers in October 1985.

Open Recommendations to Agencies

Recommendation: The Secretary of the Navy should direct the Commander, NAVSUP, to develop and implement effective work-measurement and management information systems for the naval supply centers. These systems should include: (1) identifying the most efficient way to do a specific task; (2) determining how much time each task should take; (3) collecting accurate labor hour data to compare with the labor standards; (4) reporting and comparing work-load production and labor usage data at the work center level; and (5) using the above information to set productivity goals, analyze labor usage, and determine labor resource requirements.

Status: Action in process. Estimated completion date: 12/87. A four-phase project, including an in-depth industrial engineering analysis to determine the most efficient material flow, location, and work processes is ongoing. Also, an automatic data processing chargeback system and weighed productive unit to reduce costs, accommodate unbudgeted growth, and improve efficiency is planned. The final milestone is scheduled for December 1987.

Department of Defense - Military (Except Procurement and Contracting)

Routing Small Shipments of Hazardous or Sensitive Cargo

NSIAD-86-34, 12/20/85

Background

GAO evaluated the Military Traffic Management Command's (MTMC) actions in response to previous GAO recommendations concerning the routing of small shipments of hazardous or sensitive cargo.

Findings

GAO found that MTMC has attempted to comply with earlier report recommendations by: (1) obtaining and

issuing additional installation shipping and receiving data; (2) making and documenting cost comparisons; (3) making more disclosures of shipping requirements; (4) maintaining more distribution records; and (5) establishing standard operating procedures which assign responsibilities and define procedures for selecting carrier service on small shipments of ammunition, explosives, and weapons. However, GAO found that MTMC instructions and guidelines are sometimes incomplete, unclear, or not followed, resulting in: (1) the preclusion of the use of the lowest-cost air taxi service; (2) reliance on incomplete and conflicting information; (3) questionable cost analysis; and (4) inconsistent consideration of shipment time factors.

Open Recommendations to Agencies

Recommendation: The Commander, MTMC, should verify routinely that MTMC guidelines are followed. These instructions and guidelines should specifically: (1) require shippers to certify the necessity for palletization when it is used on these small shipments; (2) provide for a requirement that information on air taxi landing fields be continuously updated and any discrepancies between the shippers' information and MTMC information be resolved quickly; (3) require development and use of a MTMC-approved methodology for computing air taxi pickup and delivery costs, which would result in a greater degree of consistency in the costs among installations, and which would be available to the air taxi industry; and (4) define the term required delivery date as it is to be used in requesting routing advice and how it, along with the transportation priority, will be used in making the mode and carrier choice.

Status: Action in process. Estimated completion date: 12/87. The military services have agreed to exclude the requirement to consider disability costs in the routing of small shipments. The Army, however, is still evaluating the elements considered necessary for inclusion in the standard methodology. The evaluations will not be completed before the end of 1987.

Department of Defense - Military (Except Procurement and Contracting)

Emergency Airlift: Responsiveness of the Civil Reserve Air Fleet Can Be Improved

NSIAD-86-47, 03/24/86

Background

GAO reviewed the Civil Reserve Air Fleet (CRAF) program to determine whether: (1) the Department of Defense's (DOD) efforts to ensure that CRAF is ready for mobilization were sufficient and effective; and (2) commercial carriers were prepared to support CRAF aircraft, particularly at foreign airfields.

Findings

GAO found that it was uncertain whether CRAF could effectively meet DOD mobilization requirements because: (1) Military Airlift Command (MAC) tests of the program through simulation and field exercises had been very limited; (2) DOD had provided limited mobilization planning data to CRAF carriers, making it very difficult for the carriers to plan for utilization of the system in an emergency; (3) MAC had not sufficiently monitored carrier compliance with contract provisions designed to help ensure effective mobilization; and (4) the incompatibility of data communications services at some military airfields with existing commercial services could hinder effective communications. GAO also found that, at overseas airfields, CRAF might not get the support needed because responsible carriers were unaware of the estimated work load for each location. Having allies provide this support under host-nation support agreements is an option that DOD is pursuing.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should require MAC to: (1) provide typical work-load information to key carrier representatives and evaluate the carriers' abilities to perform their missions; (2) assess CRAF capability of using data obtained from the carriers, field exercises, and simulations; (3) evaluate CRAF carriers' efforts to meet contractual requirements, such as number of qualified crews with security clearances, the availability of Geneva Convention cards, and navigational

route kits; and (4) consider the need for additional data communications capabilities at key military airfields for use by CRAF carriers during a national emergency.
Status: Action in process. In its response, DOD stated that it concurred with this recommendation. The Air Force has taken action on all of the recommendations. Field exercises and simulations were scheduled for the fall of 1987. In November 1987, DOD advised GAO that the exercises have been completed and results were being evaluated.

Recommendation: The Secretary of Defense should require MAC to: (1) provide carriers responsible for supporting CRAF aircraft overseas with general work-load data on the numbers and types of aircraft to be supported at each foreign airfield for their use in planning the efficient movement of combat personnel and cargo; and (2) fully consider CRAF senior lodger support requirements in negotiating host-nation support agreements.
Status: Action in process. In its May 30, 1986 response, DOD stated that it concurred with the recommendations. The Air Force has taken corrective action on all of the recommendations. Field exercises were scheduled for the fall of 1987. In November 1987, DOD advised GAO that the exercises have been completed and that the results were being evaluated.

Department of Defense - Military (Except Procurement and Contracting)

Navy Manpower: Improved Ship Manpower Document Program Could Reduce Requirements

NSIAD-86-49, 03/27/86

Background

Pursuant to a congressional request, GAO reviewed the Navy's Ship Manpower Document (SMD) program, which the Navy uses to estimate work-force requirements for its fleet.

Findings

GAO found that: (1) the requirements that the Navy has established through the SMD program are questionable because the methodology it uses in the program is not rigorous enough; and (2) the net effect of the lack of rigor is that the Navy has overestimated many of its manpower requirements and underestimated others. GAO also found that the Navy: (1) does not maintain adequate documentation to support its watch station (WS) requirements estimates; (2) does not base WS requirements estimates on rigorous onboard analyses of ship operating procedures; (3) has not made adequate progress in developing new standards for own unit support (OUS) requirements; (4) has no reliable historical data base of preventive maintenance (PM) and corrective maintenance (CM) accomplished on its ships; (5) uses invalid ratios based on PM to estimate CM requirements; (6) adds allowances for preparation and nonproductivity to its PM and CM estimates; and (7) does not use the same assumptions for its computer simulation and its conceptual model for facilities maintenance (FM). In addition, GAO found that: (1) the SMD computer model does not reflect basic assumptions regarding work performed in port and the average work week for Navy personnel; (2) the SMD computer model does not account for maintenance work that watch personnel perform; (3) the Navy does not adequately document the SMD system or changes to it; and (4) the Navy has neither adequately monitored nor controlled the program nor ensured effective communication among program participants.

Open Recommendations to Agencies

Recommendation: In order to improve the soundness and rigor of work-load measurement and standards development and increase the confidence of administration and congressional decisionmakers in the Navy's manpower requirements, the Secretary of the Navy should expedite the development of both a PM and a CM data base for establishing SMD maintenance work-load and work-force requirements by ensuring that the Maintenance Data System (MDSII) is: (1) developed properly to incorporate both PM and CM data collection components; (2) implemented in a timely manner; and (3) used by the fleet to accurately report actual PM and CM work-load data.
Status: Action in process. Estimated completion date: 06/88. An improved MDSII is planned to provide this capability. However, the software required to capture CM and PM da a

was not available until 1987, and the ship hardware needed to communicate the data will not be issued until 1989 or 1990. CNO was tasked to review PM/CM ratio for completion by June 1988.

Recommendation: In order to improve the soundness and rigor of work-load measurement and standards development and increase the confidence of administration and congressional decisionmakers in the Navy's manpower requirements, the Secretary of the Navy should validate the pay-grade staffing tables to establish wartime grade requirements and develop documented support for their use.

Status: Action in process. The Navy Manpower Engineering Center (NAVMEC) initiated a review of SMD staffing tables that will be completed in FY 1990. A validation procedure was established and two additional staffing tables were submitted for review by NAVMEC.

Department of Defense - Military (Except Procurement and Contracting)

Army Training: National Training Center's Potential Has Not Been Realized

NSIAD-86-130, 07/23/86

Background

GAO reviewed the Army's National Training Center (NTC) to determine whether the Army was: (1) using the information it collected from NTC exercises to analyze deficiencies in unit performance, determine their causes, and initiate solutions; and (2) developing Army-wide lessons learned from exercise results.

Findings

NTC objectives are to: (1) provide individual soldiers and units a training environment which closely parallels that of actual warfare; and (2) enable the Army to objectively measure the effectiveness and efficiency of organizations and weapon systems. GAO found that the Army has: (1) achieved its objective of providing training under realistic conditions; (2) been unable to use the objective data it collected for overall assessments of its organizations and weapons systems; and (3) been unable to identify causes of Army-wide problems demonstrated during NTC exercises and initiate solutions. GAO also found that: (1) the Army has not identified the types of data it needs to assess unit performance over the long term; (2) the data that the NTC instrumentation system collected were too unreliable and incomplete for overall analysis because the system was unable to monitor and record battlefield vehicle activities during movement along valleys and trenches; and (3) the Army used some of the data collected as a training aid to provide immediate feedback on unit performance. The Army has awarded a contract to solve its data analysis problems in measuring unit and weapon system effectiveness; however, the loss of battlefield data due to instrumentation shortcomings is a continuing problem. The Army is also developing a new system to identify lessons learned from a number of sources at an estimated cost of $3.4 million through fiscal year 1991.

Open Recommendations to Agencies

Recommendation: Once the contractor has determined the data requirements necessary for measuring unit and weapon system effectiveness at NTC, the Secretary of the Army should determine the technological and economic feasibility of collecting such data in order to ensure that the data needed for analyses are available before resources are committed to data collection.
Status: Action in process. Estimated completion date: 12/87. The Army identified user needs and the availability of information required to meet these needs. A decision on the technological and economic feasibility of collecting needed data is expected by December 1987.

Recommendation: If objective data can be economically collected, the Secretary of the Army should establish a target date for implementing a system for data collection and analysis.
Status: Action in process. Estimated completion date: 12/87. Depending on the outcome of the feasibility of collecting required data, the Army will either establish a target date for implementing a data collection and analysis system or determine the most cost-effective system to obtain data for units' after-action reviews. Data

collection feasibility should be developed by December 1987.

Recommendation: If objective data collection is not technologically or economically feasible, the Secretary of the Army should determine whether the current data collection system is the most cost-effective system for obtaining the information currently used or needed for units' after-action reviews.
Status: Action in process. Estimated completion date: 12/87. Action on this recommendation is dependent on the feasibility of collecting required data. Information requirements were determined and a decision on the most cost-effective system is pending.

Department of Defense - Military (Except Procurement and Contracting)

Military Airlift: Improving Management of Aircraft Loading Operations

NSIAD-87-5, 10/23/86

Background

GAO evaluated whether the Military Airlift Command's (MAC) aerial ports, which are airfields selected for the sustained movement of military air traffic, can effectively support wartime airlift operations.

Findings

The military airlift system is made up of both military aircraft and commercially owned and operated aircraft committed to the Civil Reserve Air Fleet (CRAF) program. System readiness depends on having reliable materiel handling equipment to load and unload aircraft and personnel to operate and maintain the equipment. However, the unreliability of the 59 elevator loaders MAC purchased from a contractor in 1982 had reduced its ability to load wide-body aircraft. MAC took these loaders, which accounted for over half of its wide-body elevator loader capacity, out of service in 1985 after it experienced extensive problems. The absence of operational reliability testing, inadequate storage procedures, and lack of spare parts were major factors in reducing loader availability. Since MAC did not review the status of the spare parts kit components for 7 years, it found that the kits contained components for equipment no longer in use. While MAC has taken action to update kit components, the kits do not contain parts for elevator-type cargo loaders or have not been established for equipment stored as war reserve. Although CRAF-owned cargo loaders would provide an alternative to the government buying new equipment to meet wartime requirements, MAC policy is to use CRAF equipment only when its own resources are unavailable. As a result, the Air Force bought loaders even though CRAF carriers have the equipment. GAO believes that MAC plans should provide for use of CRAF-owned carriers to reduce the need for additional procurement and reduce the impact of loader shortages.

Open Recommendations to Agencies

Recommendation: The Secretary of the Air Force should direct the Commander, MAC, to ascertain the extent to which the storage problems experienced with the contractor's loaders may be occurring with other materiel handling equipment stored as war reserve.
Status: Recommendation valid/action not intended. The Department of Defense (DOD) stated that existing procedures are adequate for vehicle storage; however, these procedures were not employed for the Wilson loaders. The adequacy of existing storage procedures will be considered for future audit work.

Recommendation: The Secretary of the Air Force should revise Air Force regulations to require consideration of CRAF-owned elevator loaders in formulating operational war plans and determining procurement requirements.
Status: Action in process. DOD stated that deliberations with commercial carriers will ascertain availability of CRAF-owned elevator loaders, and that war plans will be adjusted accordingly. Discussions are to be concluded by late 1987.

Recommendation: The Secretary of the Air Force should direct the Commander, MAC, to obtain contractual commitments from CRAF carriers for use of elevator loaders during a contingency.
Status: Action in process. DOD is exploring this recommendation with

CRAF carriers. Discussions are to be concluded by late 1987.

Recommendation: The Secretary of the Air Force should direct the Commander, MAC, to refine its procurement objectives and determine the reduction in war reserve requirements achievable by considering CRAF carrier-owned elevator loaders.
Status: Action in process. DOD is ascertaining the availability of CRAF carrier-owned elevator loaders and will consider this in its procurement decision. Discussions are to be concluded by late 1987.

Department of Defense - Military (Except Procurement and Contracting)

Navy Supply: Intermediate Inventories Can Be Reduced

NSIAD-87-19, 10/28/86

Background

GAO provided information on the Navy's management of intermediate inventories, specifically whether the Navy needed these inventories for prompt response to customer demands.

Findings

GAO noted that, at the end of fiscal year 1985, the Navy maintained intermediate inventories of consumable material in the United States worth an estimated $729 million. GAO found that the Navy could substantially reduce total inventories without increasing supply response times by: (1) eliminating intermediate inventories that duplicate wholesale and consumer inventories; and (2) using average rather than maximum inventory levels to compute intermediate inventory requirements. GAO also found that the Navy could reduce supply response times without increasing inventories by: (1) exerting more control over the requisition priority system; and (2) improving systems for reviewing and processing requisitions and updating inventory records.

Open Recommendations to Agencies

Recommendation: The Secretary of the Navy should direct the Commander, Naval Supply Systems Command (NAVSUP), to eliminate intermediate inventories that are collocated with wholesale inventories.
Status: Action in process. Estimated completion date: 01/89. New automatic data processing (ADP) systems are being phased that will allow the Navy to develop techniques to determine inventory levels based upon user demands and establish a single wholesale level of inventory for those activities that currently have collocated wholesale and intermediate inventories.

Recommendation: The Secretary of the Navy should direct the Commander, NAVSUP, to eliminate intermediate inventories maintained for single customers that stock the same items in their consumer inventories.
Status: Action in process. Estimated completion date: 12/87. The Navy has begun a study to determine the extent to which intermediate and consumer inventories are in close proximity to each other. Based upon the results of this study, the Navy will take action to optimize intermediate inventories in support of consumer inventories and eliminate inventories for which there is inadequate marginal return.

Recommendation: The Secretary of the Navy should direct the Commander, NAVSUP, to base intermediate inventory requirements on average funded investment levels instead of on maximum inventory levels.
Status: Action in process. Estimated completion date: 01/89. The Navy is developing ADP changes that will base intermediate inventory requirements on average funded investment levels. The Navy is also making an assessment to determine if the changes can be made prior to phasing the new ADP systems in 1989.

Recommendation: The Secretary of the Navy should direct the Commander, NAVSUP, to take steps to ensure that consumer activities and inventory stock points: (1) comply with Navy instructions on assigning high priority requisitions; (2) determine the reasons why some activities substantially exceed percentage guidelines set by the Navy; and (3) take appropriate actions to curb abuses of the issue priority system.
Status: Action in process. Estimated completion date: 12/87. The Department of Defense (DOD) is reviewing the Logistics Systems Analysis Office's recommendations for improving priority discipline throughout DOD. Based upon this review, DOD plans to issue revised policy and procedural guidance to strengthen management controls and bring about greater priority discipline.

Recommendation: The Secretary of the Navy should direct the Commander, NAVSUP, to require Navy activities to comply with the NAVSUP Publication 437 requirement that they report the date materiel receipts are posted to inventory records and the date they actually receive the materiel. Using this data, as well as other requisition processing data, the Commander, NAVSUP, should identify activities that exceed Defense time standards, ascertain the reasons for delays, and correct the causes of these delays.

Status: Action in process. Estimated completion date: 12/87. The Navy is collecting the data necessary to identify activities that exceed time standards and will take action to correct the causes of the delays.

Department of Defense - Military (Except Procurement and Contracting)

Navy Contracting: Improvements Needed in Contracting for Simulator Maintenance Services

NSIAD-87-6, 10/29/86

Background

In response to a congressional request, GAO examined the Navy's Contractor Operation and Maintenance of Simulators (COMS) program to: (1) determine whether the Navy complied with statutory and regulatory requirements for contracting out the operation and maintenance of its simulators; (2) determine the support for the Navy's claims that the program is saving money and that simulators are more available for training than they were prior to COMS; and (3) assess the Navy's administration of the program.

Findings

GAO found that: (1) the Navy did not fulfill a Department of Defense (DOD) commitment to Congress to perform full cost-comparison studies on all activities, without regard to their size, before contracting out the operation and maintenance of simulators since, in the absence of these cost studies, there was no definitive evidence that contractors could perform the maintenance at a lesser cost than an efficiently organized in-house work force; and (2) there was no evidence to conclusively determine that simulators were more available for training with contractors than with in-house maintenance. GAO believes that: (1) the Navy could reduce contract costs by adopting more realistic simulator availability requirements and by reducing excess simulator capacity; and (2) there may be opportunities to reduce the number of in-house personnel devoted to monitoring and supporting the contractors.

Open Recommendations to Agencies

Recommendation: The Secretary of the Navy should take steps to ensure that the Naval Training Systems Center (NTSC), in conjunction with the simulator device users, develops more realistic availability requirements for simulators.

Status: Action in process. Estimated completion date: 12/87. NTSC is requiring an annual review and certification of availability requirements by the users. The review/certification/negotiation process for fiscal year (FY) 1988 will be completed by about December 1987.

Recommendation: The Secretary of the Navy should instruct the Deputy Chief of Naval Operations for Air Warfare to evaluate the need for personnel used to monitor COMS contractor performance, with a particular view toward determining the continuing need for training systems center field engineering representatives at each site.

Status: Action in process. Estimated completion date: 12/87. Although DOD did not concur with this recommendation, the Navy was reviewing the job description of the field engineering representatives.

Recommendation: The Secretary of the Navy should take steps to ensure that NTSC, in conjunction with simulator device users, identifies those simulators with excess capacity and reduce the capacity in line with actual training needs.

Status: Action in process. Estimated completion date: 12/87. In FY 1986, NTSC reduced requirements for 11 devices. Continued review of excess training device capacity will occur and reductions will be made, as appropriate.

Department of Defense - Military (Except Procurement and Contracting)

Navy Manpower: Reductions in the Civilian Work Force at Naval Shipyards

NSIAD-87-22BR, 11/24/86

Background

In response to a congressional request, GAO provided information on the Navy's civilian work-force reductions at naval shipyards, specifically: (1) changes in the naval shipyard work-force level; (2) reasons for work-force changes; and (3) the basis for the reductions-in-force (RIF) cost and savings estimates.

Findings

GAO found that: (1) the Navy reduced its naval shipyard civilian work-force level due to a declining work load and the potential savings from revisions in ship maintenance strategy and philosophy; (2) the Navy needs to improve its methods for calculating a shipyard's RIF cost and savings; (3) the Navy expects the east and west coast shipyards to absorb all of the laid-off personnel; (4) the Navy used RIF procedures when attrition would not accomplish the required results or when it did not expect work loads to increase significantly in the near future; and (5) the declining work load is due to revised ship maintenance procedures that require more frequent, but shorter, shipyard periods for some ships, no further overhauls for some of the older combat ships, and competition between naval and private shipyards for ship maintenance. GAO also found that: (1) private shipyards perform most of the shorter-duration maintenance, and naval shipyard maintenance has declined; (2) the Navy failed to develop procedures to ensure that RIF cost and savings estimates would be made on a uniform basis until 1986; (3) prior to 1986, naval shipyards determined cost and savings factors based on their own judgment; (4) the 1986 procedures do not cover RIF costs for unemployment compensation and job search assistance contracts; and (5) the Navy based its 1986 RIF cost estimates on an erroneous estimate of the percentage of personnel who would lose employment due to RIF.

Open Recommendations to Agencies

Recommendation: The Secretary of the Navy should direct the Commander, Naval Sea Systems Command, to revise the guidance for calculating shipyard RIF costs and savings to: (1) consider all shipyard budgetary and indirect RIF costs; (2) recognize the effect of attrition on RIF savings estimates; and (3) use consistent assumptions.

Status: Action taken not fully responsive. The Department of Defense (DOD) agreed with part of this recommendation to revise guidance for calculating shipyard RIF costs and savings, while disagreeing with the other parts relating to indirect costs and the effect of attrition on RIF savings estimates.

Department of Defense - Military (Except Procurement and Contracting)

Military Logistics: Improvements Needed in Managing Air Force Special Stock Levels

NSIAD-87-34, 12/23/86

Background

GAO evaluated the reasonableness and accuracy of the Air Force's procedures and practices for establishing and managing special stock-level requirements for recoverable aircraft and missile spare parts.

Findings

GAO found that the Air Force Logistics Command (AFLC) has taken actions to revise its methodology for establishing

special stock levels based on the D041 system requirements, which will result in more accurate requirements determinations and preclude procurement of unneeded materiel at its five air logistics centers. However, further revisions are necessary because the revised methodology determines special stock-level requirements based on initial requirements computed, not the final requirements, resulting in overstated or understated stock levels. Bases may request adjusted stock levels and submit them for item-manager approval if their normal stock levels do not meet their needs. After receiving approval, the bases input the adjusted levels and forward transaction cards to the appropriate center for input to the D143H automated system. Although automating this process would eliminate item manager computations and human errors, the two systems are not interfaced and the D143H system is inaccurate. The D143H system does not include 37 percent of the $130 million in adjusted base stock levels approved and already included in the D041 system, and the D143H system includes $1.3 million of adjusted stock levels that have not been approved or input to the D041 system.

Open Recommendations to Agencies

Recommendation: The Secretary of the Air Force should direct the Commander, AFLC, to establish procedures to provide for annual reconciliations of base stock requirements included in base stock records and those reflected on air logistics center records. As part of these reconciliations, causes of any discrepancies should be identified and eliminated.

Status: Action in process. Estimated completion date: 02/88. The Air Force developed computer software to implement this recommendation, but communication problems have thus far prevented its use. Problems should be solved and reconcilation started by February 1988.

Department of Defense - Military (Except Procurement and Contracting)

Military Airlift: Management Controls Over Charter Airlift Need To Be Strengthened

NSIAD-87-67, 03/06/87

Background

Pursuant to a congressional request, GAO reviewed: (1) the Department of Defense's (DOD) policies and procedures for chartering commercial aircraft; (2) oversight procedures for monitoring carrier performance and compliance with Federal Aviation Administration (FAA) safety regulations; and (3) the investigation of the DC-8 air crash at Gander, Newfoundland, that resulted in the death of 248 U.S. military personnel.

Findings

GAO found that: (1) the Military Airlift Command (MAC) did not include appropriate safety clauses in its contracts with foreign airlines; (2) the ramp inspection program did not provide sufficient coverage of contractor aircraft or air taxi operators; (3) the safety clauses in current transportation agreements do not specifically charge contractors with the responsibility for flight safety; (4) in-flight quality checks were very limited; (5) DOD and FAA did not effectively communicate on charter oversight; (6) MAC did not include an evaluation of airline security programs in its airlift capability surveys; and (7) the December 1985 DC-8 air crash was still under investigation to determine the aircraft's loaded weight and balance, the possible influence of ice buildup, and the aircraft's maintenance record.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Commander, MAC, to improve the airlift capability survey process by requiring discussions with pilots and other air crew and maintenance personnel and providing increased emphasis on evaluations of contract maintenance facilities and quality control over this maintenance.

Status: Action in process. DOD intends to hold discussions with pilots during a recently initiated cockpit observation program and expand maintenance observations.

Recommendation: The Secretary of Defense should direct the Commander,

MAC, to include appropriate safety clauses in contracts with foreign airlift contractors.
Status: Action in process. MAC intends to put safety clauses in foreign airlift contracts.

Recommendation: The Secretary of Defense should direct the Commander, MAC, to develop ways to obtain and evaluate information on the capabilities and safety records of potential foreign airlift contractors.
Status: Action in process. MAC intends to develop ways to obtain safety data on foreign airlift contractors.

Recommendation: The Secretary of Defense should direct the Commander, MAC, to closely control waivers of the MAC seat row spacing rule.
Status: Action in process. MAC intends to control waivers of the seat row spacing rule.

Recommendation: The Secretary of Defense should direct the Secretary of the Air Force to establish a permanent policy on MAC interim passenger and baggage weight criteria and the Commander, MAC, to inform existing contractors of the interim passenger and baggage weight criteria and include these criteria in its new airlift contracts.
Status: Action in process. DOD intends to revise passenger weight and baggage criteria.

Recommendation: The Secretary of Defense should direct the Secretary of the Air Force to establish a permanent policy on MAC interim passenger and baggage weight criteria and the Commander, MAC, to review contractor application of the criteria during airlift capability resurveys.
Status: Action in process. DOD intends to revise passenger weight and baggage criteria and direct MAC to review contractors' criteria on passenger weight and baggage.

Recommendation: The Secretary of Defense should direct the Commander of the Military Traffic Management Command (MTMC), to ensure that airlift capability surveys are performed on MTMC airlift contractors.
Status: Action in process. MTMC revised survey criteria and intends to have MAC do airlift surveys on existing and new airlift contractors.

Recommendation: The Secretary of Defense should direct the Commander, MTMC, to revise the military air transportation agreement (MATA) to include more specific safety clauses.
Status: Action in process. MTMC will revise MATA to include more specific safety clauses.

Recommendation: The Secretary of Defense should direct the Commander, MAC, to inform MTMC airlift contractors of the interim criteria on passenger and baggage weights and include these criteria in the revised MATA.
Status: Action in process. MTMC will inform carriers about baggage weight criteria and revise MATA.

Recommendation: The Secretary of Defense should direct the Commander, MTMC, to periodically remind its customers that hazardous materials are not allowed on passenger aircraft and develop instructions covering this regulation.
Status: Action in process. MTMC intends to periodically remind customers that hazardous materials are not allowed on passenger aircraft.

Recommendation: The Secretary of Defense should direct the Commander, MAC, to improve the management of its ramp inspection program to include: (1) centrally selecting the flights and aircraft to be inspected and evaluating the results by contractor; (2) expanding the ramp inspection program to commercial airport locations; (3) targeting aircraft not included in the airlift capability surveys for ramp inspections where possible; and (4) expanding the program to include MTMC charter airline flights, as well as MTMC and MAC air taxi flights, where possible.
Status: Action in process. MAC intends to improve its ramp inspection program.

Recommendation: The Secretary of Defense should direct the Commander, MAC, to improve the passenger comments process by: (1) developing and using a two-copy form with one copy always sent to MAC; (2) centrally evaluating the comments categorized by contractor; and (3) redesigning the form to focus passengers' reporting on safety and quality problems they might have noticed.
Status: Action in process. MAC and MTMC will improve the customer comments form on service and safety concerns.

Recommendation: The Secretary of Defense should direct the Commander, MTMC, to evaluate expanding MTMC efforts to monitor in-flight performance.
Status: Action in process. MTMC plans to improve its quality control process.

Recommendation: The Secretary of Defense should direct the Commander, MTMC, to consider alternative approaches to the MTMC passenger comments process to make it more timely and redesign the passenger comments form to add space for comments on flight safety issues, when necessary.
Status: Action in process. MTMC plans to improve its quality control process.

Recommendation: The Secretary of Defense and the Secretary of Transportation should work together to develop policies and procedures to

improve communication so that each has access to the information it needs to adequately discharge its responsibilities.
Addressee: Department of Defense
Status: Action in process. DOD will improve communication with the Department of Transportation (DOT).
Addressee: Department of Transportation
Status: Action in process. DOD will improve communication with DOT.

Recommendation: To help ensure optimum results from the DOD study and recommendations on commercial passenger airlift policies and procedures, the Secretary of Defense should establish specific implementation plans for the recommendations in the report.
Status: Action in process. DOD will develop specific plans to implement the recommendation in its airlift safety report.

Recommendation: To help ensure optimum results from the DOD study and recommendations on commercial passenger airlift policies and procedures, the Secretary of Defense should commit the personnel and other resources required to implement the recommendations.
Status: Action in process. DOD is implementing this recommendation by increasing staff devoted to air carrier analysis and inspection.

Recommendation: To help ensure optimum results from the DOD study and recommendations on commercial passenger airlift policies and procedures, the Secretary of Defense should direct the DOD Inspector General to provide an independent assessment of the implementation of the recommendations.
Status: Action in process. Estimated completion date: 06/88. DOD intends to implement corrective actions, as stated in its response to the report. DOD and the Air Force will follow up around June 1988.

Recommendation: To help ensure optimum results from the DOD study and recommendations on commercial passenger airlift policies and procedures, the Secretary of Defense should evaluate, over time, whether 12 months of prior commercial service provides sufficient data to make effective evaluations of potential airlift contractors' performance.
Status: Action in process. DOD will continue to evaluate whether 12 months of prior commercial service is sufficient for effective carrier evaluations.

Recommendation: To help ensure air transportation security on military charters, the Secretary of Transportation should direct the Administrator, FAA, to provide FAA foreign airport security assessments and classifications to DOD.
Status: Action in process. DOD will initiate action to obtain security data from FAA.

Recommendation: To help ensure air transportation security on military charters, the Secretary of Defense should provide these foreign airport security assessments and classifications to the military departments and commands responsible for personnel air transportation security and safety.
Status: Action in process. DOD intends to obtain more security data from FAA and pass it along to the various commands.

Recommendation: To help ensure air transportation security on military charters, the Secretary of Transportation should direct the Administrator, FAA, to change FAA security regulations to require that: (1) DOD charter contractors follow FAA security procedures tailored to military requirements; and (2) FAA provide DOD charter operators with information on the classifications of foreign airports and the security measures required.
Status: Action in process. Specific DOT and FAA implementation action plans are not yet available.

Recommendation: To help ensure air transportation security on military charters, the Secretary of Defense should direct the Commander, MTMC, to include airport and in-flight security clauses in MTMC transportation agreements and monitor the implementation of those clauses.
Status: Action in process. MTMC will revise MATA to include security clauses.

Recommendation: To help ensure air transportation security on military charters, the Secretary of Defense should direct the Commander, MAC, to provide for evaluation of contractors' airport and in-flight security programs during the airlift capability surveys.
Status: Action in process. MAC will be directed to review air carrier security procedures.

Department of Defense - Military (Except Procurement and Contracting)

Military Airspace: Better Planning Is Needed To Meet Future Requirements

NSIAD-87-93, 03/23/87

Background

GAO reviewed the military's plans for its future airspace requirements to determine whether the plans are adequate.

Findings

GAO found that: (1) a number of Air Force and Navy units have encountered airspace shortages that have decreased air crew training effectiveness and increased training costs; (2) the Department of Defense (DOD) has not provided guidance to the services in their airspace planning to ensure consistency and coordination: and (3) the services need to make comprehensive, long-range airspace plans to meet their future requirements.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should require the military services to: (1) develop comprehensive airspace plans that define, validate, and support their future airspace requirements; (2) keep the plans current and coordinate them among the services; (3) use the information developed on airspace requirements and availability to assist in aircraft basing and mission decisions; and (4) share their plans with the Federal Aviation Administration and affected states, to the extent possible. **Status:** Action in process. Estimated completion date: 12/87. A DOD directive will be published.

Department of Defense - Military (Except Procurement and Contracting)

Weather Satellites: Economies Available by Converging Government Meteorological Satellites

NSIAD-87-107, 04/23/87

Background

GAO reviewed the United States' two separate, but similar, polar-orbiting meteorological satellite systems to determine if the two systems could be combined to eliminate duplicative practices and overlapping functions, and continue to provide necessary services to the systems' users.

Findings

GAO found that: (1) national policy supports the convergence of polar meteorological satellite systems; (2) convergence is technically and operationally feasible, since both systems collect similar types of data and have common features; and (3) the federal government could save several million dollars by combining the two systems of four satellites to one system of three satellites, eliminating areas of duplication, using multiyear procurement contracting, and purchasing parts in larger quantities. GAO noted that: (1) the National Oceanic and Atmospheric Administration and the Air Force independently took steps or planned actions that would further separate the satellite systems; and (2) the systems now have fewer interchangeable electronic components. GAO also found that alternative ways of combining the systems include: (1) integrating sensors; (2) redesigning the existing four-satellite system into a three-satellite system with a mix of sensors; and (3) creating a hybrid system consisting of three existing satellites. GAO concluded that the Department of Commerce office responsible for coordinating all federal meteorological programs, except meteorological satellites, could expand its operations to include these satellites and, thus, assist in the convergence process.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense and the Secretary of Commerce should jointly take the initiative to converge the Defense Meteorological Satellite and the Television Infrared Observation Satellite polar orbiting systems to the maximum extent possible. The Secretaries should also take actions to: (1) curtail or minimize the divergent trends associated with the two programs; (2) eliminate unnecessary duplication; and (3) ensure that ongoing sensor integration efforts are maintained.
Addressee: Department of Defense
Status: Action in process. Estimated completion date: 07/89. System concept studies for a future Defense Meteorological Satellite Program are scheduled for completion in mid-1989. Alternatives and costs associated with convergence are to be analyzed.
Addressee: Department of Commerce
Status: Action in process. Estimated completion date: 07/89. The Administration initiated an assessment of the policy and management issues associated with convergence. The Office of Management and Budget recommended that the National Oceanic and Atmospheric Administration participate in the Air Force's system concept studies for a future meteorological satellite system. The studies are scheduled to be completed in mid-1989.

Department of Defense - Military (Except Procurement and Contracting)

Military Airlift: Requirements for Aerial Port Personnel in Wartime Need To Be Determined

NSIAD-87-115, 05/11/87

Background

Pursuant to a congressional request, GAO evaluated the Military Airlift Command's (MAC) requirements for aerial port personnel to support wartime operations. MAC is responsible for providing technical supervision and assistance to the military services and providing and operating specialized materiel-handling equipment when it is not otherwise available.

Findings

GAO found that: (1) MAC plans to provide personnel to perform wartime unit movement functions that are assigned to the Navy and Marine Corps; (2) the Army needs to make its field manual consistent with the joint service regulation; (3) the Army has not established active organizations to perform certain duties, as required by joint service regulations; and (4) MAC should focus on strengthening the services' capabilities, rather than performing their functions.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should assess the services' capability to perform their unit move and aerial port responsibilities and, where needed, direct the services to strengthen their capabilities.
Status: Action in process. The Joint Chiefs of Staff (JCS) will initiate a joint service review of joint and service implementing regulations to ensure clear tasking of responsibilities.

Recommendation: The Secretary of Defense should direct the Air Force to validate the need for the personnel it has programmed to support unit move and aerial port operations and, consistent with its evaluation of the services' capabilities, reduce the number of personnel MAC has programmed for functions that are the services' responsibility.
Status: Action not yet initiated. The timing for this review is after JCS has completed its review of the joint and service implementing regulations and determined the appropriate division of responsibilities. Results of this analysis is anticipated by December 1988.

Recommendation: The Secretary of Defense should direct the Army to revise its field manual to clearly place the responsibility on the moving services for the functions outlined in the joint service regulation.
Status: Action not yet initiated. This recommendation will be implemented after Joint Service Regulations are reviewed and clarified.

Recommendation: The Secretary of Defense should periodically evaluate the services' and MAC capabilities and revalidate MAC staffing levels.

Status: Recommendation valid/action not intended. While the Department of Defense (DOD) concurred with this recommendation, it stated that the Air Force regularly validates its staffing levels. Other services' capabilities to mobilize are already evaluated through exercises and inspections. GAO believes that service-specific validations will not likely identify duplication among the services.

Department of Defense - Military (Except Procurement and Contracting)

Navy Manpower: Squadron Manpower Program Needs Improvement

NSIAD-87-101, 05/19/87

Background

Pursuant to a congressional request, GAO evaluated the Navy Squadron Manpower Document (SQMD) program to determine whether the Navy based its manpower requirements on sound and rigorous processes.

Findings

GAO found that the Navy: (1) has not established staffing standards on work loads for all ground officers and about 20 percent of ground enlisted personnel; (2) did not document the initial standards development for ground enlisted personnel, or require that revised standards be based on efficiency reviews; (3) does not independently verify, consistently calculate, or completely document work loads; (4) uses allowances for nonproductive time that are not based on supportable evidence; and (5) has neither updated nor adequately supported the work-week standard it uses to determine SQMD requirements. GAO noted that limited program support affects the SQMD program in the form of insufficient travel funds, key position vacancies, high staff turnover, and inexperienced program personnel.

Open Recommendations to Agencies

Recommendation: The Secretary of the Navy should direct that efficiency reviews be performed before developing or updating staffing standards.
Status: Action in process. Estimated completion date: 09/89. Efficiency reviews will be conducted as functional areas come up for standards development. Guidance on this will be incorporated in the new SQMD procedures manual to be issued by March 1988.

Recommendation: The Secretary of the Navy should direct that staffing standards be developed for as many position requirements as practical, both officer and enlisted.
Status: Action in process. Estimated completion date: 09/89. A ground officer staffing standard is being developed and a plan of action to complete staffing standards for all positions is being drawn up.

Recommendation: The Secretary of the Navy should direct that staffing guidelines be developed for those officer and enlisted positions where staffing standards are seen as impractical. Such guidelines should include the process for establishing positions, documenting their justification, and periodically reevaluating the need for them.
Status: Action in process. Estimated completion date: 09/89. The Chief of Naval Operations (CNO) directed that all such positions be identified and documentation be developed.

Recommendation: The Secretary of the Navy should direct that the SQMD standards application process be improved to ensure the accuracy of maintenance work load by actions such as: (1) using acceptable work-measurement techniques to establish anticipated time for performing planned aircraft maintenance tasks; and (2) requiring an independent, periodic review of maintenance documentation, at the squadron level, including validation of historical maintenance data by analyzing other materials related to work load.
Status: Action in process. Estimated completion date: 03/88. New guidance being developed will emphasize maintenance work load accuracy.

Recommendation: The Secretary of the Navy should direct that studies be conducted to determine the appropriate time allowances to be added to measured work load.
Status: Action in process. Estimated completion date: 09/89. Production delay

allowance was discontinued at the end of fiscal year 1987, however, other allowances will continue to be applied, unless studies presently being conducted of other allowances show them to be incorrect or unjustified.

Recommendation: The Secretary of the Navy should direct that staffing standards and guidelines, work-load allowances, and work-week time factors be validated periodically, in accordance with Department of Defense guidance.
Status: Action in process. Estimated completion date: 03/88. CNO directed the Navy Manpower Engineering Center to incorporate a triannual review of all standards, guidelines, and allowances.

Recommendation: The Secretary of the Navy should direct that the SQMD computer model be revised to: (1) allow certain squadron indirect maintenance work load, including facilities maintenance and tasking, to be allocated at least on a departmentwide basis, where feasible; and (2) eliminate the compounding effect of work-load allowances.
Status: Action in process. Estimated completion date: 09/89. The SQMD computer model is being revised.

Recommendation: The Secretary of the Navy should require that current, accurate, and complete documentation be maintained to support the: (1) methodology for establishing squadron manpower requirements; (2) staffing standards, work-load allowances, and work-week time factors; (3) squadron work-load data used in calculating manpower requirements; and (4) assumptions of the SQMD computer model.
Status: Action in process. Estimated completion date: 09/89. The procedures manual is being revised to stress proper documentation. Improved documentation will be maintained as standards are developed.

Department of Defense - Military (Except Procurement and Contracting)

Marine Corps Manpower: Improvements Needed in Processes for Determining Manpower Requirements

NSIAD-87-102, 05/26/87

Background

In response to a congressional request, GAO evaluated the adequacy of the processes the Marine Corps used to determine its manpower requirements for non-Fleet Marine Forces (FMF) and administrative and support components of FMF units.

Findings

GAO found that the Marine Corps: (1) often based its staffing standards on an official judgement rather than on a measured work load or on methods improvement studies; (2) did not make on-site surveys to establish personnel and supply administration requirements; (3) did not apply staffing standards for positions during one on-site survey, but based its determination mainly on interviews with work center personnel; (4) had inadequate documentation for the development and maintenance of staffing standards; (5) had inadequate oversight of the manpower determination processes; and (6) did not sufficiently coordinate or monitor the units' determination of their needs.

Open Recommendations to Agencies

Recommendation: The Commandant of the Marine Corps should issue guidance governing the development and application of manpower determination processes, including: (1) when engineered manpower standards, rather than less precise criteria such as staffing guides, should be used; (2) when and how staffing standards should be developed, validated or updated, and documented; (3) how structure studies should be used in determining manpower needs; and (4) when and how judgement should be used in the manpower determination process and how it should be documented.
Status: Action in process. Estimated completion date: 07/89. A formal handbook is being developed and will provide guidance and instructions governing the development and application of the manpower program.

Recommendation: The Commandant of the Marine Corps should require systematic management oversight that will provide adequate coordination and monitoring of the procedures the various organizations use to determine their manpower needs.

Status: Action in process. Estimated completion date: 07/89. Manpower department representatives will conduct periodic visits to all commands to ensure coordination and management oversight.

Recommendation: The Commandant of the Marine Corps should require that the staffing standards program: (1) use accepted work-measurement techniques in standards development and validation; (2) use efficiency review results in the development of staffing standards; and (3) expand coverage of staffing standards to include all FMF and non-FMF functions where work-load measurement is feasible and practical.
Status: Action in process. Estimated completion date: 07/91. Initial efforts are being directed at non-FMF units and selected FMF functions are being examined for methodology applicability.

Recommendation: The Commandant of the Marine Corps should require that the on-site survey program use: (1) applicable standards and explain deviations from the standards; (2) a combination of techniques where the operational audit approach is applied; and (3) on-site surveys to help establish requirements for appropriate elements of FMF units.
Status: Action in process. Estimated completion date: 07/89. New manpower requirement procedures are being developed and will be used at selected FMF units in garrison.

Recommendation: The Commandant of the Marine Corps should ensure that adequate documentation is maintained on the development and application of staffing standards, the conduct of on-site surveys, and the use of manpower requirements information from structure studies.
Status: Action in process. Estimated completion date: 07/89. The new manpower program will provide full documentation and audit trail on the development and use of standards.

Recommendation: The Commandant of the Marine Corps should identify manpower requirements independent of fiscal and personnel management constraints.
Status: Action in process. Estimated completion date: 07/89. This will be done incrementally as the new manpower requirements determination program progresses.

Department of Defense - Military (Except Procurement and Contracting)

Army Deployment: Better Transportation Planning Is Needed

NSIAD-87-138, 06/18/87

Background

GAO discussed the Army's ability to mobilize and move forces to ports of debarkation within the time frames of its operational plans, including: (1) the availability of the required transportation resources; and (2) the adequacy of unit and installation plans and preparations to use them.

Findings

GAO found that: (1) because the Army has not identified what equipment it needs to move to mobilization stations, identifying the number or types of transportation resources it needs is difficult; (2) mobilization station commanders and transportation operating agencies believe that the Computerized Movement Planning and Status System (COMPASS) is inaccurate and outdated; (3) the outloading capability of mobilization stations varies from the Military Traffic Management Command's (MTMC) requirements; (4) deterioration of rail lines impedes movement of units to and from mobilization stations; (5) the Army has not determined mobilization stations' outload capacities and capabilities to receive, offload, and return transportation resources; (6) the U.S. Army Forces Command (FORSCOM) overstated its requirements for blocking, bracing, packing, crating, and tie-down (BBPCT) materials and warehouses by about $10 million; and (7) FORSCOM overstated its needs for railcar spanners, hand tool sets, and loading ramps by $5.5 million.

Open Recommendations to Agencies

Recommendation: The Secretary of the Army should direct the Commander, FORSCOM, in conjunction with the mobilization commanders, to ensure that the equipment requiring commercial transportation for movement to and

from the mobilization stations be accurately reflected in COMPASS reports.
Status: Action in process. Estimated completion date: 06/89. COMPASS system redesign efforts have been initiated, as have courses and training for proper development of COMPASS data. Steps to verify compliance are to be developed by the end of fiscal year (FY) 1988.

Recommendation: The Secretary of the Army should direct mobilization station commanders to determine and document the amount and type of commercial transportation required to meet the most demanding requirements in the operation plans for which a mobilization station is tasked. The most demanding outload requirements may vary from mobilization station to mobilization station depending on the transportation mode selected, installation outload capabilities, proximity to port of embarkation, or other factors.
Status: Action in process. Estimated completion date: 06/90. The Army is developing contingency standing route orders for all reserve and guard units by FY 1990. The Army goal is to semiannually validate carrier capability and provide data directly to installations.

Recommendation: The Secretary of the Army should direct FORSCOM and MTMC to compare the number of railcars and trucks planned for use by mobilization stations with the number expected by MTMC for each operation plan to ensure that any differences will not materially affect the outloading capabilities of the mobilization stations or port-reception capabilities of the ports of embarkation.
Status: Action in process. MTMC is developing a handbook for determining outloading capability. Coordination increased with FORSCOM and other commands. Action plan to be completed by February 1988.

Recommendation: The Secretary of the Army should direct mobilization stations to develop plans for distributing BBPCT materials and equipment to the outloading units.
Status: Action in process. Estimated completion date: 06/88. FORSCOM Regulation 55-1 is being changed to address this by clarifying mobilization station requirements and assigning responsibilities.

Recommendation: The Secretary of the Army should direct the Commander, MTMC, in coordination with the Department of Transportation's Office of Emergency Transportation, to annually assess the availability of rail and truck resources for meeting the Army's deployment needs. This assessment should consider: (1) the Army's need for special types of railcars and trucks; (2) the outloading capacity and capability of the mobilization stations; and (3) the capability of the ports of embarkation to receive, offload, and return the transportation resources for reloading.
Status: Action in process. Estimated completion date: 01/88. JCS directed the services and the Defense Logistics Agency to develop commercial transportation requirements. Heavy lift rail requirements and heavy lift motor capability studies are supposed to be completed by MTMC by December 1987.

Recommendation: The Secretary of the Army should direct FORSCOM to reassess installations' needs for BBPCT materials and warehouses and retain the current hold on funds for these items until the reassessments are completed and existing stocks are redistributed in accordance with actual installation outloading needs. Before further funding of BBPCT, FORSCOM should ensure that: (1) reassessments properly consider the percentage of the flatcar fleet requiring BBPCT and the use of multilevel flatcars; (2) mobilization stations are in compliance with regulations and policy regarding the development of BBPCT requirements and its use and storage; and (3) installations comply with requirements to conduct local BBPCT availability surveys and adjust BBPCT stocking requirements accordingly.
Status: Action in process. FORSCOM is developing a microcomputer program to develop more refined BBPCT requirements. FORSCOM Regulation 55-1 is being revised to provide guidance on percentage of flatcars needing BBPCT and the use of multilevel faltcars. Plans for any BBPCT redistribution will be developed for execution in FY 1988.

Recommendation: The Secretary of the Army should direct FORSCOM to reduce planned funding levels for railcar spanners, rail hand tool sets, and portable end ramps by $5.5 million and place a hold on remaining funds intended for these items until FORSCOM completes its ongoing reassessment of need and redistributes existing stocks in accordance with installation outloading needs.
Status: Action in process. Estimated completion date: 12/87. FORSCOM is presently conducting a study to determine rail hand tool set, spanner, and portable end ramp requirements. Funding will be held until these studies are completed. Plans for redistribution, if any, will be developed for execution in FY 1988.

Department of Defense - Military (Except Procurement and Contracting)

Air Force Manpower Program: Improvements Needed in Procedures and Controls

NSIAD-87-137, 06/25/87

Background

In response to a congressional request, GAO reviewed the Air Force Management Engineering Program (MEP) to determine if the Air Force based its manpower requirements on sound and rigorous processes.

Findings

GAO found that: (1) although the program is sound and contains many of the basic elements necessary for an effective manpower system, there are weaknesses in operational procedures, standards controls, and recording procedures; (2) the Air Force strategy to defer updating standards could result in misleading manpower requirements and adversely affect managerial decisions regarding manpower resources; (3) errors occur in collecting and using accurate work-load counts and in recording the results due to insufficient guidance and monitoring of standards and applications; (4) there is little monitoring of compliance with standards application policy; and (5) commands do not visit bases to ensure that they adhere to manpower regulations.

Open Recommendations to Agencies

Recommendation: The Secretary of the Air Force should strengthen the operational procedures and management controls in the standards development process used in MEP by establishing specific procedures for documenting the review and update of standards and monitoring compliance.
Status: Action not yet initiated. The Air Force has not yet responded.

Recommendation: The Secretary of the Air Force should strengthen the operational procedures and management controls in the standards development process used in MEP by improving the accuracy of the staffing standards coding system to identify the type of standard or other method of determining manpower needs on which a given requirement is based.
Status: Action not yet initiated. The Air Force has not yet responded.

Recommendation: The Secretary of the Air Force should strengthen the operational procedures and management controls in the standards development process used in MEP by developing a way to ensure that the currency of staffing standards is reasonably maintained during the transition to the functional review approach to developing standards.
Status: Action not yet initiated. The Air Force has not yet responded.

Recommendation: The Secretary of the Air Force should strengthen the operational procedures and management controls in the standards development process used in MEP by enforcing the requirement that staffing guides be reviewed for currency and establishing monitoring procedures to ensure compliance.
Status: Action not yet initiated. The Air Force has not yet responded.

Recommendation: The Secretary of the Air Force should strengthen the operational procedures and management controls in the standards development process used in MEP by ensuring that efficiencies identified through the functional review process receive an independent review.
Status: Action not yet initiated. The Air Force has not yet responded.

Recommendation: The Secretary of the Air Force should strengthen the management controls in the standards application and recording processes of MEP by establishing improved standards application procedures and guidance to ensure that: (1) standards application and recording is consistent across all commands; (2) work-load counts are extracted from prescribed sources; and (3) resulting manpower requirements are accurately recorded on manpower documents.
Status: Action not yet initiated. The Air Force has not yet responded.

Recommendation: The Secretary of the Air Force should strengthen the management controls in the standards application and recording processes of MEP by providing improved training on the standards application process.
Status: Action not yet initiated. The Air Force has not yet responded.

Recommendation: The Secretary of the Air Force should strengthen the

management controls in the standards application and recording processes of MEP by clarifying the existing 20-percent verification policy.
Status: Action not yet initiated. The Air Force has not yet responded.

Recommendation: The Secretary of the Air Force should strengthen the management controls in the standards application and recording processes of MEP by establishing a system for monitoring compliance with the verification process by incorporating controls, such as: (1) a periodic certification that work load has been verified; (2) a requirement that adequate documentation be maintained until the next application cycle; and (3) an independent spot check verification of work load.
Status: Action not yet initiated. The Air Force has not yet responded.

Department of Defense - Military (Except Procurement and Contracting)

Navy Maintenance: The P-3 Aircraft Overhaul Program Can Be Improved

NSIAD-87-157, 06/26/87

Background

GAO reviewed the Navy's procedures for overhauling P-3 aircraft to determine if it could reduce depot turnaround time.

Findings

GAO found that: (1) although the Navy established a program to inspect aircraft before they are due for overhauls, the major commands were not requesting inspections on many aircraft; (2) performing more inspections and scheduling overhauls more efficiently could reduce overhaul costs; (3) lack of adequate central control over aircraft deliveries resulted in aircraft waiting outside overhaul depots; and (4) because depots spread available workers over as many aircraft as they could fit into production lines, overhaul times increased and aircraft availability decreased.

Open Recommendations to Agencies

Recommendation: To improve the P-3 aircraft overhaul program, the Secretary of the Navy should require that all P-3 aircraft due for overhaul be inspected under the Aircraft Service Period Adjustment (ASPA) Program unless an inspection exemption is specifically authorized.
Status: Action in process. Estimated completion date: 06/88. Policy guidance on OPNAVINST 3110.11 will be clarified, including provisions for a shortcut method to permit depot personnel to verify a type commander's decision that an ASPA inspection is unnecessary.

Recommendation: To improve the P-3 aircraft overhaul program, the Secretary of the Navy should direct that the Naval Aviation Logistics Center assume a more active role in coordinating actual deliveries of P-3 aircraft for overhaul so that each aircraft can be scheduled on a specific date to coincide with a depot's ability to begin work on that aircraft.
Status: Action in process. DOD stated that the Navy is continuing to refine scheduling procedures and is placing emphasis on the attainment of each depot's goal to begin the rework process within 24 hours of the aircrafts arrival from the operational unit.

Recommendation: To improve the P-3 aircraft overhaul program, the Secretary of the Navy should explore opportunities to reduce overhaul turnaround time by concentrating labor resources at the depots on as few P-3 aircraft as possible.
Status: Action taken not fully responsive. DOD stated that the depots have embarked upon a series of initiatives aimed at ensuring that aircraft production lines are operated effectively and efficiently. However, none of the initiatives deal with concentrating labor resources on fewer aircraft, and DOD did not indicate it was going to do so.

Recommendation: To improve the P-3 aircraft overhaul program, the Secretary of the Navy should examine ways to eliminate excess P-3 aircraft overhaul capacity at the depots, perhaps by closing one of the three P-3 aircraft production lines.
Status: Action in process. Although DOD stated that it did not agree with this recommendation, it also stated that the Lake City commercial facility is no longer utilized for P-3 depot rework and a third source is not anticipated as a requirement for the near future.

Therefore, despite its words to the contrary, DOD has taken action that will implement this recommendation.

Recommendation: The Secretary of the Navy should determine the feasibility of implementing the above recommendations on other aircraft. The P-3 aircraft has one of the shortest overhaul turnaround times among Navy aircraft and any procedural changes to reduce that time could have applicability to other aircraft.

Status: Action in process. DOD stated that management initiatives will help ensure that all aircraft production lines are operated effectively and efficiently, including turnaround-time reductions, where possible and practical.

Department of Defense - Military (Except Procurement and Contracting)

Electronic Warfare: Navy/Air Force Still Developing Separate, Costly Radar Warning Receivers

NSIAD-87-167, 07/01/87

Background

GAO reviewed Air Force and Navy radar warning receiver (RWR) programs, focusing on the: (1) Department of Defense's (DOD) lack of response to prior recommendations for achieving commonality in RWR acquisition programs; and (2) Air Force's and Navy's continued acquisition of separate receivers and the adverse effects resulting from this acquisition.

Findings

GAO found that: (1) DOD did not implement the recommendations for overcoming obstacles to the merger of Air Force and Navy RWR programs; (2) the Air Force RWR improvement program will cost an estimated $500 million; (3) the Navy's RWR improvement program was estimated to cost over $1.3 billion; (4) both the Air Force and Navy are acquiring nine different receivers for existing tactical aircraft, at an estimated cost of over $6.6 billion; and (5) none of the receivers are common to both Air Force and Navy aircraft, and seven of them entered development or production since GAO and Congress made their merger recommendations. GAO noted that the: (1) main problem in achieving commonality appears to be each service's belief that its system concept is best and the constant updating of unique systems; (2) services' main argument against changing to a common system is the cost involved in the aircraft wiring adjustments to accommodate a replacement RWR; and (3) services did not include the cost benefits of commonality in their analyses of RWR programs. GAO also found that, because the Air Force and Navy concurrently tested and produced receivers, production began before operational testing revealed serious deficiencies with the receivers.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should select the best RWR, based on cost and effectiveness, for maximum common use on existing Air Force and Navy tactical aircraft.

Status: Action not yet initiated. DOD partially concurred with this recommendation.

Recommendation: Until the selection of the common RWR, the Secretary of Defense should slow production and delay further contract awards for RWR until operational tests provide reasonable assurance that their performance will be satisfactory.
Status: Action not yet initiated. DOD disagreed with this recommendation.

Recommendation: The Secretary of Defense should stop those RWR programs that cannot be demonstrated as cost-effective.
Status: Action not yet initiated. DOD concurred with this recommendation.

Recommendation: To ensure selection of the best RWR, the cost-effectiveness analyses performed should not be restricted to short-term cost, but should consider the life-cycle costs, including expected savings to result from commonality.
Status: Action not yet initiated. DOD concurred with this recommendation.

Department of Defense - Military (Except Procurement and Contracting)

Defense Health Programs: Sharing of DOD Aeromedical Evacuation System With VA Could Reduce Costs

HRD-87-98, 07/09/87

Background

In response to a congressional request, GAO reviewed the implementation of legislation to promote greater sharing of health care resources between the Veterans Administration (VA) and the Department of Defense (DOD), specifically between the U.S. Air Force Regional Hospital at Elmendorf Air Force Base and the VA outpatient clinic, both in Anchorage, Alaska.

Findings

GAO found that: (1) VA use of the DOD aeromedical evacuation system to transport VA beneficiaries in Alaska to both military and VA hospitals in the continental United States could reduce costs; (2) DOD regulations limit VA use of the system and require reimbursement at a rate equal to first-class commercial air fare plus taxes and in-flight medical charges; and (3) because of the DOD charges, VA uses scheduled commercial airline flights to transport its patients and pays federal government contract air fares, which are significantly less than DOD rates. GAO also found that: (1) VA believes that most Alaskan VA patients would not impose a burden on the system, since they are generally ambulatory, occupy only one seat, and require no special in-flight assistance; (2) in January 1987, the Air Force Surgeon General proposed that DOD waive the restriction to permit VA use of the system on a nonreimbursable or marginal-cost basis; (3) the cost to DOD of accepting VA patients when space was available would be minimal; and (4) there is no statutory requirement to restrict VA use of the system or legislation to conflict with the development of a sharing agreement between VA and DOD.

Open Recommendations to Agencies

Recommendation: DOD should: (1) approve the Air Force Office of the Surgeon General's proposal to waive the restriction in DOD Regulation 4515.13 so that a sharing agreement under Public Law 97-174, to allow VA beneficiaries in Alaska use of the aeromedical evacuation system on a space-available referral basis, could be implemented; and (2) revise DOD Regulation 4515.13 to remove the obstacles to use of the aeromedical evacuation system by VA beneficiaries so that Public Law 97-174 sharing agreements can be negotiated elsewhere when it is cost-effective to do so.

Status: Action in process. Congress is considering legislation to require that VA be allowed to use the aeromedical evacuation system on a space available, referral basis.

Department of Defense - Military (Except Procurement and Contracting)

Army Airlift: Need To Use Air Lines of Communications for Essential Items

NSIAD-87-184, 07/27/87

Background

GAO reviewed the Army's Air Lines of Communication Program (ALOC) and the Army's reserve stocks of ALOC-eligible materiel to determine: (1) the peacetime cost of ALOC; (2) ALOC ability to function effectively in wartime; and (3) whether reserve stocks of ALOC-eligible items could adequately support overseas forces during a transition to war.

Findings

GAO found that ALOC: (1) has significantly reduced the delivery time for routine supply orders and the amount of materiel in the supply pipeline; (2) is airlifting nonessential

materiel that the Army would not airlift in wartime; (3) is not cost-effective for peacetime use because of the high cost of air transportation; and (4) reserve stocks overseas may not be adequate to sustain wartime operations until resupply.

Open Recommendations to Agencies

Recommendation: The Assistant Secretary of the Army (Installations and Logistics) should direct that the peacetime airlift eligibility criteria under ALOC be made more consistent with the wartime airlift eligibility criteria.
Status: Action not yet initiated. The Army has not yet responded to this recommendation.

Recommendation: The Assistant Secretary of the Army (Installations and Logistics) should reassess the types and quantities of repair parts included in prepositioned war reserve stocks.
Status: Action not yet initiated. The Army has not yet responded to this recommendation.

Department of Defense - Military (Except Procurement and Contracting)

Military Personnel: Options To Implement Officer Reductions

NSIAD-87-162, 08/05/87

Background

In response to a congressional request, GAO examined the adequacy of current officer separation policies to achieve a 6-percent reduction in the number of active duty officers by the close of fiscal year (FY) 1989.

Findings

GAO found that: (1) the services have adequate discretionary authority to involuntarily separate officers with 1 to 11 years of service; (2) current legislation and policies limit the services' authority to separate officers beyond the 11th year; (3) officers with 18 years of service are allowed to continue until retirement eligibility at 20 years; (4) there are significant overstrengths in the number of officers with 16 to 20 years of service, due to the services' desire to retain high-quality, combat-experienced officers; and (5) it will be difficult to execute the 6-percent reduction without impairing combat capability, since current constraints will result in disproportionate cuts among company-grade officers. GAO also found that the Department of Defense (DOD) and the services are considering: (1) separating majors and Navy lieutenant commanders who were twice passed over for promotion and awarding those officers separation pay in lieu of full retirement benefits; (2) seeking legislation which would permit reductions in force (RIF) among officers who are currently RIF-exempt; (3) forcing officers to retire as they become eligible; (5) lifting time-in-grade requirements to promote voluntary early retirement; and (6) pursuing the repeal of the FY 1988 and FY 1989 reductions while implementing the 1-percent cut required in FY 1987.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should estimate how much the cap on separation pay could be raised temporarily to equitably compensate officers currently protected, but who might be subjected to RIF before they reach retirement eligibility, and include that temporary separation pay increase among the legislative proposals DOD is considering for non-retirement-eligibles.
Status: Recommendation valid/action not intended. DOD disagreed with this recommendation. However, until Congress decides which action to take, DOD will not pursue alternative plans for implementing the officer reductions.

Recommendation: The Secretary of Defense should assess the benefits of extending the time frame to implement the remaining 5-percent reduction by 2 years so that the reduction can include overstrengths in officers with 16 to 20 years of service when they become eligible for retirement, and report DOD findings to Congress with its legislative proposals.
Status: Recommendation valid/action not intended. DOD disagreed with this recommendation. However, Congress may require a 1-percent reduction,

which is consistent with the recommended course of action.

Department of Defense - Military (Except Procurement and Contracting)

Military Procurement: Air Force Should Terminate More Contracts for On-Order Excess Spare Parts

NSIAD-87-141, 08/12/87

Background

In response to a congressional request, GAO reviewed the Air Force's procedures and practices for terminating procurements of excess spare parts.

Findings

GAO found that: (1) the Air Force actually terminated less than 3 percent of the on-order excess parts that GAO reviewed; (2) the Air Force should have terminated about 24 percent of the on-order excess, resulting in savings of approximately $36 million; (3) the requirements system responsible for generating on-order termination lists contained inaccurate information and was unreliable; (4) the Air Force's procedures and practices for terminating on-order excess were inadequate, since it did not consider the cost of holding excess parts in storage and untimely reviewed data generated by the requirements system; and (5) terminating excess on-order parts was more economical than accepting them.

Open Recommendations to Agencies

Recommendation: The Secretary of the Air Force should emphasize to the Commander, Air Force Logistics Command (AFLC), the importance of an effective program, including appropriate management guidance and oversight, for terminating procurements of excess on-order spares when termination is in the best interest of the government. Such a program should ensure that: (1) item managers base termination decisions on timely comparisons of the costs of accepting excess material with those of terminating procurements; (2) item managers do not routinely conclude that it is uneconomical to terminate on-order material solely because they believe 75 percent or more of the production lead time has expired; (3) the data in the D041 requirements system are accurate; and (4) air logistics centers do not deviate from AFLC termination regulations without proper approval.
Status: Action not yet initiated. The Air Force has not yet commented on this recommendation.

Department of Defense - Military (Except Procurement and Contracting)

Live Fire Testing: Evaluating DOD's Programs

PEMD-87-17, 08/17/87

Background

In response to a congressional request, GAO reviewed the Department of Defense (DOD) Joint Live Fire (JLF) Test Program to determine: (1) the status of each munition and system scheduled for testing; (2) the methodological quality of the test and evaluation process; (3) the advantages and limitations of full-up, live-fire testing; and (4) needed improvements.

Findings

GAO found that: (1) the JLF tests for armor were two years behind schedule due to a controversy over objectives and methodology; (2) although the aircraft testing program has suffered less severe delays, a lack of targets is a problem for both components; (3) DOD has made little progress in validating its vulnerability/lethality (V/L) assessment program estimates; (4) full-up, live-fire testing is the only V/L assessment

method that provides direct visual observation of weapon damage to a target under realistic conditions; (5) high cost and the limited target availability are the main limitations to testing; and (6) other test methods could supplement full-up, full-scale testing, but not substitute for it. GAO identified possible improvements in the design, conduct, and interpretation of live-fire testing.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should: (1) conduct full-up tests of developing systems, first at the subscale level as subscale systems are developed, and later at the full-scale level mandated in the legislation; (2) establish guidelines on the role live-fire testing will play in procurement; (3) establish guidelines on the objectives and conduct of live-fire testing of new systems, with particular attention to clarifying what is to be expected from the services; and (4) ensure that the primary users' priorities drive the objectives of live-fire tests. Modelers are secondary users.
Status: Action not yet initiated. GAO has not received the DOD formal response.

Recommendation: Recent live-fire legislation requires the services to provide targets for testing new systems, but there is no similar requirement for the fielded systems in JLF, where lack of targets has impeded testing. Accordingly, the Secretary of Defense should provide more support to JLF for obtaining targets.
Status: Action not yet initiated. GAO has not received the DOD formal response.

Department of Defense - Military (Except Procurement and Contracting)

Antitank Weapons: Current and Future Capabilities

PEMD-87-22, 09/17/87

Background

In response to a congressional request, GAO assessed the Department of Defense's (DOD) infantry antitank weapons' capabilities to determine the: (1) probability of hitting targets; (2) probability of a target kill; (3) rate of fire; (4) fire sustainability; and (5) infantry and weapons survivability.

Findings

GAO found that there was no information available: (1) on many of the elements that could degrade hit probability, since DOD did not routinely cover them in its performance estimates; (2) on the degrading effect of reactive armor on the performance of light weapons; (3) on how combat stress could degrade rates of fire; and (4) to compare attrition rates for each weapon under the same test conditions. GAO believes that its analytical framework could help organize weapon performance data in the acquisition of antitank weapons.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should ensure that the data generated by DOD regarding antitank weapon performance are comparable across weapon alternatives and cover the fire effectiveness factors and three degradation factors contained in the GAO framework.
Status: Action not yet initiated. The DOD response is in process.

Department of Defense - Military (Except Procurement and Contracting)

Naval Shipyards: Management of Borrowed Labor Can Be Enhanced by Stronger Internal Controls

NSIAD-87-188, 09/23/87

Background

In response to a congressional request, GAO reviewed naval shipyards' use of borrowed labor to determine: (1) the extent to which shipyards borrowed from one another; (2) whether the shipyards prepared adequate documentation to justify borrowing; and (3) whether internal controls concerning guidance and oversight of borrowed labor were adequate.

Findings

GAO found that: (1) the total cost for borrowed labor for fiscal years 1983 through 1986 was $119.3 million; (2) shipyards generally did not perform cost comparisons of the alternatives for temporary shortages; (3) the Navy had no written guidance on managing borrowed labor; and (4) the Navy eliminated its borrowed-labor reporting requirement because it did not use the data and did not consider it useful.

Open Recommendations to Agencies

Recommendation: The Secretary of the Navy should direct the Commander, Naval Sea Systems Command, to issue guidance on how naval shipyards should relieve temporary labor shortages at the least cost to the government, setting out: (1) criteria for using various labor resources, including borrowing labor; (2) documentation requirements, including cost comparisons, justifying their use; and (3) data collection and reporting requirements.

Status: Action not yet initiated. GAO has not received the Navy's final reply to the report.

Department of Defense - Procurement and Contracts

The Navy Can Increase Cancellations of Procurements for Unneeded Material

NSIAD-85-55, 03/22/85

Background

GAO reviewed the Navy's procedures and practices for cancelling procurements of unneeded material to determine the controls established by the Naval Supply Systems Command (NAVSUP) for monitoring and evaluating the performance of the inventory control points.

Findings

The review indicated that the number of procurement cancellations can be increased, thereby reducing unnecessary procurement and inventory investment costs. An examination of cancellations for May 1983, the most current month available at the start of the review, showed that potentially excess procurements identified by the inventory control points totalled $293 million. GAO tests of possible termination actions for that month showed that less than 1 percent were actually cancelled. GAO found that cancellations are not higher because: (1) the inventory control points have established high dollar review thresholds; (2) the inventory control points apply protection levels to provide an added buffer against running out of stock; (3) inventory managers do not always act on cancellation notices in a timely manner; and (4) management and supervisory attention to the cancellation process is limited.

Open Recommendations to Agencies

Recommendation: The Secretary of the Navy should direct the Commander, NAVSUP, to reconsider the reasonableness of the termination review threshold amounts and base the threshold amounts on a comparison of the administrative cost of cancelling procurements with the money to be saved by not purchasing unneeded material.

Status: Action in process. Estimated completion date: 12/87. NAVSUP directed the Ship Parts Control Center (SPCC) to change the supply demand review thresholds for automated termination recommendations, in accordance with study results. Revised thresholds are expected to be implemented by December 1987.

Recommendation: The Secretary of the Navy should direct the Commander, NAVSUP, to require that inventory managers review termination notices in a timely and objective manner and give consideration to making this requirement part of the inventory managers' performance evaluation.

Status: Action in process. Estimated completion date: 12/87. SPCC is developing a program to register completed termination recommendations and to mechanically identify open, overage recommendations for follow-up action. Formalized output programs are being developed so that inquiries can be made.

Department of Defense - Procurement and Contracts

Leased Military Housing Costs in Europe Can Be Reduced by Improving Acquisition Practices and Using Purchase Contracts

NSIAD-85-113, 07/24/85

Background

GAO reviewed the weaknesses and inconsistencies in the Department of Defense's (DOD) lease acquisition practices for family housing in Europe and actions to improve these practices.

Findings

GAO noted that the shortage of adequate local housing with acceptable DOD standards of construction has required DOD to provide much of the needed housing through leasing construction agreements. GAO found that: (1) the military services' major commands responsible for leasing housing in Europe have developed different procurement procedures and practices for awarding and administering leases; (2) practices in awarding leases were inconsistent with those applicable to supplies and services established to ensure the United States obtains the best contract agreements at a reasonable cost; and (3) the services have different interpretations of congressional reporting requirements for lease agreements. GAO noted alternatives for reducing long-term lease costs, including: (1) the inclusion of buy-out provisions providing the United States the opportunity to buy the housing during or at the end of the lease period; (2) granting the services legislative authority to enter into purchase contract arrangements for foreign family housing; and (3) agreements with contractors for the construction and financing of family housing requiring installment payments for interest and amortization of the project's costs and profit. GAO found that congressional actions have been taken to: (1) direct that economic analyses be made to evaluate the comparative cost of new lease proposals with other alternatives for furnishing needed housing; (2) instruct that buy-out provisions be included in all new leasing construction agreements; and (3) increase appropriation of military construction funds.

Open Recommendations to Agencies

Recommendation: To ensure that the military services follow consistent leasing procedures and practices and comply with congressional committee lease acquisition reporting requirements, the Secretary of Defense should direct the services to jointly develop and issue guidance on uniform policies and procedures for acquiring foreign leased family housing and for complying with the congressional committee reporting requirements for lease awards. This

guidance should: (1) be consistent with those acquisition principles for advertising, evaluating, and negotiating contained in DOD regulations for other types of procurement; (2) require the services to provide, in leases having escalation of net rental clauses, that rental payments will not exceed the amount of appropriations available at the time payments are due or the statutory limit established for such year under 10 U.S.C. 2828(e), and that nothing in the lease can be considered as implying Congress would, at a later date, appropriate sufficient funds to meet deficiencies; and (3) include congressional committee reporting requirements for lease awards on groups of leases with the same lessor and renewals of existing leases.
Status: Action in process. Estimated completion date: 02/88. DOD concurred with this recommendation and stated that the services would be directed to develop a tri-service manual containing the guidance recommended by GAO. A draft manual has been prepared. The final implementation date is not certain. GAO will follow up again in February 1988.

Recommendation: To resolve the military services' concerns over the legal propriety of buy-out provisions, the Secretary of Defense should evaluate and propose legislation to Congress on the type of buy-out provisions that should be permitted in foreign leases.
Status: Recommendation valid/action not intended. DOD concurred with this recommendation and stated that legislation would be prepared for consideration for fiscal year (FY) 1987. Implementation slipped 1 year; however, legislation was expected to be included in the FY 1988 draft military construction bill. However, legislation was not submitted because it was believed to conflict with Office of Management & Budget (OMB) Circular A-11.

Recommendation: The Secretary of Defense should require the services to obtain assurances from host-country governments that the United States would be able to exercise the buy-out provisions.
Status: Recommendation valid/action not intended. DOD concurred with this recommendation. The legal requirement that services obtain host-country assurances was to be included in the FY 1988 draft military construction bill. However, legislation was not submitted because it was believed to conflict with OMB Circular A-11.

Recommendation: To provide the military services with another alternative method of acquiring needed housing in Europe, the Secretary of Defense should propose to Congress specific legislation granting the military services authority to use purchase contracting, when appropriate.
Status: Recommendation valid/action not intended. DOD concurred with this recommendation and stated that legislation would be prepared for consideration for FY 1988. However, legislation was not submitted because it was believed to conflict with OMB Circular A-11.

Recommendation: If purchase contracting authority is granted by Congress, the Secretary of Defense should require the military services to: (1) prepare economic analyses comparing the costs of purchase contract arrangements with other alternatives; and (2) seek host-country governments' support before entering into purchase contracts.
Status: Recommendation valid/action not intended. DOD concurred with this recommendation. Final implementation is contingent upon Congress enacting legislation authorizing the use of purchase contracting. Authorizing legislation has not been enacted and is not expected before FY 1988. DOD did not submit legislation because it believed that there was a conflict with OMB Circular A-11.

Department of Defense - Procurement and Contracts

Consolidating Procurements of Medical Equipment Could Save Money

NSIAD-85-125, 08/27/85

Background

GAO conducted a review to determine whether medical equipment purchased locally by Department of Defense (DOD) and Veterans Administration (VA) medical facilities could have been more efficiently and economically procured in large quantities through consolidated procurement.

Findings

GAO found that: (1) DOD and VA facilities buy about 75 percent and 51 percent, respectively, of the value of their equipment requirements locally and procure the rest centrally; (2) DOD could have obtained price savings averaging 11 to 15 percent by centrally procuring certain items; (3) DOD achieved some savings by using indefinite-delivery type contracts to centrally procure some medical equipment; and (4) it could not determine whether VA might have achieved savings through consolidated procurement because of a lack of VA centralized procurement data. DOD and VA officials mentioned several factors that could limit the number of medical items that could be centrally procured, including: (1) physicians' preferences for certain brands of equipment; (2) the need for compatibility with existing equipment; (3) equipment maintenance by vendors; and (4) procurement timeliness. However, GAO found that: (1) while such problems might limit the centralized procurement of some items, they should not prevent DOD and VA from identifying additional equipment that could be procured more economically; (2) even where purchases of different equipment are judged to be appropriate, cost savings could still be achieved through consolidated procurement; and (3) while some delays might occur initially because of the time involved in awarding centralized contracts, close coordination between services and procuring activities should minimize delays. GAO noted that DOD is implementing a plan to increase the consolidated procurement of medical equipment.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should ensure that the DOD plan as described in its report, "Centralized Consolidated Medical Equipment Procurement," is properly carried out.
Status: Action in process. DOD is monitoring implementation of its plan to accomplish the recommended action. DOD fully implemented its CENPROME program with respect to high-value equipment, and noted that it has conducted many joint procurements with VA and the Public Health Service (PHS). DOD is implementing its program for lower-value equipment and working to overcome some resistance on the part of the medical community.

Recommendation: The Secretary of Defense and the Administrator of Veterans Affairs should consider beginning a program, similar to the program established for drugs and medical supplies, to share procurement of those common medical equipment items which can be procured more efficiently on this basis.
Addressee: Veterans Administration
Status: Action in process. The DOD/VA Interagency Procurement Management Committee: (1) agreed to add medical equipment items to the list of items procured jointly; and (2) established a subcommittee to select the items. VA conducted numerous shared procurements with DOD and PHS, most notably in the high-value procurements of radiology equipment. Lower-value procurements are underway.
Addressee: Department of Defense
Status: Action in process. The DOD/VA Interagency Procurement Management Committee: (1) agreed to add medical equipment items to the list of items procured jointly; and (2) established a subcommittee to select the items and carry out this recommendation. DOD conducted numerous shared procurements with VA and PHS, but only for high-value equipment. Lower-value procurements are underway.

Department of Defense - Procurement and Contracts

Radiation Accident: Incident at Clear Air Force Station, Alaska

NSIAD-86-9, 11/07/85

Background

Pursuant to a congressional request, GAO investigated the conduct of the Air Force and its contractor in responding to the 1983 radiation accident at Clear Air Station, Alaska, to determine whether: (1) the contractor fulfilled all the required services in compliance with the terms of the contract; (2) Air Force actions in administering the contract were beyond reproach; and (3) affected employees have been afforded the best available medical evaluation, treatment, and follow-up entitled to them under law.

Findings

GAO noted that, according to Air Force and contractor investigation reports, the accident occurred because of the inadvertent actions of a contractor technician. Upon investigation, GAO found that: (1) the technician's action resulted in the workers' exposure to radiation because the equipment was not laid out and operated as required by the contract; (2) contractor noncompliance with contract specifications and problems in contract management practices allowed the accident to go undetected for 8 minutes; (3) there was some delay in providing medical services to the victims immediately following the accident; and (4) the contractor reduced staffing in key control rooms below the minimum manning requirement. GAO also found that: (1) maintenance technicians on duty were not fully qualified to perform in their assigned positions; (2) the quality assurance evaluators (QAE) monitoring the contract were neither technically trained in radar operation nor had prior experience in procurement procedures or contract administration; and (3) although there was some delay in providing medical evaluations to the victims in the 24 hours following the accident, the victims have received extensive medical evaluations since the accident.

Open Recommendations to Agencies

Recommendation: The Secretary of the Air Force should conduct a survey of technical order compliance and safety procedures at other radar installations to determine if similar problems may exist. If noncompliance with technical orders or other problems are identified, corrective actions should be taken.
Status: Action in process. This recommendation was considered finalized as of February 9, 1987. Nine sites had been inspected and found to be satisfactory. Actions on this recommendation are to be continued indefinitely.

Department of Defense - Procurement and Contracts

Technical Risk Assessment: The Status of Current DOD Efforts

PEMD-86-5, 04/03/86

Background

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) procedures and practices for risk assessment in connection with major weapons systems procurement. GAO reviewed the 25 program offices responsible for conducting risk assessments.

Findings

GAO found that, while DOD has identified a number of risk assessment approaches: (1) it has not specifically defined technical risk; (2) it has insufficient policy and training to guide program managers in assessing technical risks; (3) the program offices have developed inconsistent and sometimes contradictory approaches to risk assessment; and (4) none of the program offices have conducted a quantitative risk assessment to support budgeting for risk. Since DOD has developed no standards for risk assessments, GAO developed risk assessment criteria and found that: (1) only three offices' risk assessment efforts met the criteria; and (2) most program offices did not implement their efforts to achieve the most accurate and useful results. In addition, GAO found that: (1) program offices did not always convey technical risk information to decisionmakers; (2) some program staff were unaware of risk assessment efforts or lacked information on assessment procedures and results; (3) contractors did not often properly document their technical risk assessment data; and (4) it could not make any meaningful studies of the accuracy or effects of individual assessments until DOD improved its assessment processes.

Open Recommendations to Agencies

Recommendation: To improve technical risk assessment concepts and procedures, the Secretary of Defense should define technical risk and categories for rating risk.
Status: Action in process. Estimated completion date: 12/87. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

Recommendation: To improve technical risk assessment concepts and procedures,

the Secretary of Defense should require that risk efforts focus explicitly on technical risk and be prospective, planned, and repeated at least twice, early and late, in each acquisition phase.
Status: Action in process. Estimated completion date: 12/87. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

Recommendation: To improve technical risk assessment concepts and procedures, the Secretary of Defense should require program management offices to document their risk assessment procedures and results.
Status: Action in process. Estimated completion date: 12/87. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

Recommendation: To improve technical risk assessment concepts and procedures, the Secretary of Defense should establish guidelines regarding options for format for rating risks, scope, data collection, and assessment approaches.
Status: Action in process. Estimated completion date: 12/87. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

Recommendation: To improve technical risk assessment concepts and procedures, the Secretary of Defense should require that technical risk information that program offices or contractors require for review include a description of format, scope, data collection, sources of risk information, and assessment approaches.
Status: Action in process. Estimated completion date: 12/87. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

Recommendation: To improve technical risk assessment concepts and procedures, the Secretary of Defense should provide more focused training in technical risk assessment.
Status: Action in process. Estimated completion date: 12/87. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

Department of Defense - Procurement and Contracts

Procurement: The Use of Unpriced Options and Other Practices Needs Revision

NSIAD-86-59, 04/23/86

Background

GAO reviewed the contracting practices that the military services use to award, extend, and renew large multifunction or umbrella contracts for base support services to determine whether: (1) the practices used to extend or review umbrella contracts comply with procurement regulations; and (2) the effectiveness of competition is being restricted by excluding umbrella contract extension or renewal periods from the evaluations for initial contract awards.

Findings

GAO found that the military services' use of extensions or renewals for umbrella contracts sometimes does not meet regulatory requirements. In a number of cases, unpriced options were exercised and follow-on contracts were awarded. Although such awards were noncompetitive contracts, contracting officers did not justify their use in writing, as required. As a result, the important benefits that competition is intended to achieve, such as equal opportunity for all to compete, assurance that prices are reasonable, or the increased incentive for improved quality or delivery, were foregone without justification. In addition, GAO found that, in some cases, the military services also restricted the effectiveness of competition obtained on initial awards because they excluded the cost of option or follow-on years from consideration of the initial contracts, thereby lessening the assurance that the government would receive a fair and reasonable price over the life of the contracting cycle.

Open Recommendations to Agencies

Recommendation: To eliminate misconceptions relating to the need to price contract options, and to help

ensure that future option provisions are priced, the Secretary of Defense should take actions to have the Federal Acquisition Regulation (FAR) amended to clearly require that all contract options currently covered by procurement regulations be priced at the time the initial or underlying contract is awarded.
Status: Action in process. Defense Acquisition Regulatory Council (DARC) Case 86-42, FAR case 86-52, was established to implement this recommendation. The estimated completion date is unknown, but the proposed rule was published for comment on October 28, 1986. The DARC case was transmitted to the Civilian Agency Acquisition Council (CAAC) for consideration, but has not yet been published for final rule.

Recommendation: The Secretary of Defense should take actions needed to ensure that, for contracts currently containing unpriced and unexercised options, written noncompetitive justifications have been properly supported and approved before the unpriced options are exercised.
Status: Action in process. DARC Case 86-42, FAR case 86-52, was established to implement this recommendation. The estimated completion date is unknown, but the proposed rule has been published for comment. The case was transmitted to CAAC for consideration, but has not yet been published for final rule.

Recommendation: The Secretary of Defense should take action to have FAR 17.206, or the related provisions of the Department of Defense FAR supplement, amended to require that, regardless of the type of contract used, all options which are likely to be exercised to extend any service contract be evaluated as part of the initial award, unless the contracting officer justifies in writing and receives higher level approval that not evaluating the options is more advantageous to the government. If the contracting officer has a reasonable basis for determining that the option is not likely to be exercised, then evaluating it should not normally be considered more advantageous to the government.
Status: Action in process. DARC Case 86-42, FAR case 86-52, was established to implement this recommendation. The estimated completion date is unknown, but the proposed rule has been published for comment. The case was transmitted to CAAC for consideration, but has not yet been published for final rule.

Department of Defense - Procurement and Contracts

Contract Pricing: Material Prices Overstated on the Amphibious Assault Vehicle Contract

NSIAD-86-123, 05/16/86

Background

GAO reviewed subcontract pricing on the Navy's 1984 option buy of amphibious assault vehicles to determine if the contractor complied with contract pricing laws in providing accurate, complete, and current pricing data in its prime contract.

Findings

GAO found that the contractor: (1) overstated the proposed prices it gave the Navy for two of its eight subcontracted items; (2) in one case, received lower quotations, but did not disclose them to the Navy or base the contract price on the lowest quotation; and (3) in the second case, acknowledged a lower available price and proposed a contract price reduction, but had not begun negotiations for the reduction.

Open Recommendations to Agencies

Recommendation: The Commander, Naval Sea Systems Command, should initiate action to obtain recovery of funds from the contractor.
Status: Action in process. Estimated completion date: 04/88. DCAA reviewed the entire contract and recommended a contract price adjustment of $18 million. The contractor rebutted the DCAA claim, but the contracting officer expects settlement by April 15, 1988.

Department of Defense - Procurement and Contracts

Quality Assurance: Efforts To Strengthen DOD's Program

NSIAD-87-33, 11/03/86

Background

In response to a congressional request, GAO evaluated the Department of Defense's (DOD) in-plant quality assurance program to determine its effectiveness.

Findings

The Army, Navy, and Air Force plant representative offices (PRO) and the Defense Contract Administration Service carry out the quality assurance program for each plant. GAO found that: (1) individual service and Defense Logistic Agency (DLA) reviews have identified widespread contractor quality deficiencies; (2) the program did not meet Federal Acquisition Regulation requirements because PRO delegated some of their inspection responsibilities to contractors and did not perform all the mandatory quality assurance inspections; (3) the Army PRO (APRO) Quality Management Information System understated the actual number of times contractors performed government inspections; (4) APRO and the Navy PRO did not always perform mandatory government inspections; and (5) PRO could not readily identify recurring quality defects using existing plant data. GAO also found that: (1) the services have identified problems such as ineffective surveillance methods and a lack of qualified personnel that weaken PRO operations; (2) a former Assistant Secretary of Defense for Acquisition and Logistics suggested a new approach to quality assurance, but the services and DLA have not reached a consensus; (3) the DOD Quality Assurance Council has not developed DOD-wide solutions to quality problems; and (4) the Council has not followed through on a previous effort to improve the program. GAO concluded that, although the services and DLA have developed and implemented their own in-plant programs, these efforts are not a substitute for a DOD-wide program.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should instruct the Quality Assurance Council to facilitate the interchange of ideas between the services and DLA and, as necessary, direct the implementation of specific improvements to DLA and service programs.
Status: Action in process. The Deputy Assistant Secretary of Defense, Production Support, will hold a special meeting with the principal members of the Council and redefine the role of the Council. DOD Directive 4155.1, " DOD Quality Program", will be revised to reflect these redefined roles and responsibilities.

Recommendation: The Secretary of Defense should instruct the Quality Assurance Council to prepare and carry out a long-range plan for developing and implementing a DOD-wide optimum quality assurance plan. This step should include close coordination with industry, the services, DLA, and quality assurance experts.
Status: Action in process. DOD reports that the DOD Quality Assurance Council is currently developing a plan to restructure the DOD Quality Assurance Program under an unifying approach that implements new concepts in the achievement of quality. The new concepts are contained in the DOD Management Improvement Plan under the "New Approach to Quality".

Department of Defense - Procurement and Contracts

Government Contracting: Assessment of the Study of Defense Contractor Profitability

NSIAD-87-50, 12/23/86

Background

In response to a congressional request, GAO evaluated the Department of Defense's (DOD) Defense Financial and Investment Review (DFAIR) to determine its adequacy, the validity of its findings, and the appropriateness of its recommendations.

Findings

GAO found that: (1) DFAIR determined that contract pricing, financing, and profit policies were related and should be examined on an integrated basis; (2) the profitability of defense businesses was comparable to commercial businesses from 1970 to 1980 and from 1983 to the present; (3) although DOD reported that a 1980 change in its profit policy resulted in an unintended 0.5- to 1-percent increase in profit objectives, GAO believes that the increase was larger than 1 percent; (4) DFAIR recommended changes to the weighted guidelines to do away with the unintended increase, but profits would have actually increased 25 percent if DOD had implemented all of the recommendations; (5) achieving comparability between defense and commercial businesses will require more than a 1-percent reduction in profit objectives because actual defense business profits have been substantially greater than those DFAIR calculated; and (6) the recently established DOD interim profit policy, based on DFAIR data and analysis, will not achieve the appropriate profit reductions because it uses as a baseline the flawed data analyses contained in DFAIR.

Open Recommendations to Congress

Recommendation: Congress should establish a legislative requirement for a Profitability Reporting Program and periodic profit studies.
Status: Action in process.

Department of Defense - Procurement and Contracts

Contract Pricing: Material Prices Overstated on Standard Missile and Phalanx Systems

NSIAD-87-31, 02/11/87

Background

As part of a nationwide review, GAO examined subcontract pricing on five prime contracts for the production of the Standard Missile System and the Phalanx Weapon System to: (1) determine whether the contractor complied with the Truth in Negotiations Act in providing accurate, complete, and current pricing data; and (2) assess whether Navy contracting officers implemented subcontract pricing requirements designed to ensure the negotiation of fair and reasonable prices.

Findings

GAO found that: (1) the contractor failed to disclose accurate, complete, and current pricing information for 14 of the 66 subcontract estimates before concluding contract negotiations; (2) the Navy contracting officers did not obtain evaluations from the contractor on 21 of 23 major noncompetitive subcontract price proposals for use in contact negotiations; and (3) the contractor overstated contract prices by about $1.9 million, including overhead and profit.

Open Recommendations to Agencies

Recommendation: The Commander, Naval Sea Systems Command (NAVSEA), should use the results of the GAO review as a basis for initiating

action to recover funds from the contractor.
Status: Action in process. According to an October 13, 1987, letter to GAO from the Assistant Secretary of the Navy (Shipbuilding and Logistics), discussions are currently underway among NAVSEA, the Defense Contract Audit Agency (DCAA), and the contractor for resolution and recovery of appropriate sums.

Department of Defense - Procurement and Contracts

Procurement: Opportunities To Use More Preferred Practices for Base Support Contracts

NSIAD-87-7, 02/13/87

Background

GAO reviewed the types of contracts, source selection evaluation criteria, and work statements that the Department of Defense (DOD) uses to award large multi-function or "umbrella" contracts for base support services to determine whether its contracting practices adhere to law, regulation, and policy.

Findings

GAO found that: (1) although most of the work was of a predictable nature, contracting officers often decided to use umbrella contracts, even though they were not the most advantageous method of meeting the government's needs; (2) contracting officers neither followed preferred practices in awarding umbrella contracts nor justified decisions to use umbrella contracts based on less-preferred contracting practices, rather than two or more smaller contracts; (3) significant portions of the routine base support work performed under cost reimbursement and fixed-price incentive contracts appeared suitable for firmer types of contracts; (4) the services awarded most umbrella contracts based on technical, rather than price, competition; and (5) DOD regulations did not require existing umbrella contract work statements to follow the concepts in the Office of Management and Budget (OMB) work statement guidance.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should require both initial solicitations and resolicitations to be based on the anticipated use of the three contracting practices, except when: (1) the contracting officer certifies, justifies, and reasonably supports the use of any other contracting practices; and (2) the justification is approved at a level higher than the contracting officer. The three contracting practices are: (1) a firm fixed-price contract or a fixed-price contract with an economic price adjustment clause; (2) source selection evaluation criteria, which assign at least half of the weight to price-related, rather than nonprice, factors; and (3) a solicitation containing work statements with clear, definitive, performance-oriented descriptions of the work that needs to be done, and standards with acceptable quality levels for measuring performance.
Status: Recommendation valid/action not intended. DOD did not concur with this recommendation, and noted that a decision on contract type should be made by contracting officers on a case-by-case basis. It also noted that evaluation criteria should be structured on a case-by-case basis, with no criteria for weighting of price, as full weighting would be unnecessary and overly restrictive. DOD questioned the emphasis GAO placed upon price.

Recommendation: The Secretary of Defense should require the development of umbrella contract work statements to be planned and initiated early enough and effectively carried out, so as to encourage firmly priced contracts to be proposed in response to the solicitation and considered during negotiations, unless the use of another contract type has been properly justified and approved.
Status: Recommendation valid/action not intended. The DOD response acknowledged the need for clear, definitive work statements, but stated that flexibility in tailoring these statements was paramount. It also questioned the emphasis GAO placed upon price, and cited the need for quality as being a more important consideration.

Recommendation: The Secretary of Defense should require, for base support service umbrella contracts, that contract type decisions be documented and justified: (1) in accordance with current requirements, giving proper

consideration to the nature of the work involved; and (2) in a manner that describes how the work is so unpredictable that a reasonably definitive statement of work could not be developed, why it is impracticable to satisfy the agency's need without using a cost reimbursement or incentive contract, and how contracting officers know that the use of the contract type is less costly.
Status: Recommendation valid/action not intended. DOD partially concurred with this recommendation and noted that adequate justification/documentation is important. The DOD response explained, however, that existing regulations on this matter were sufficient.

Recommendation: The Secretary of Defense should require, for base support service umbrella contracts, that alternatives to using cost reimbursement and incentive contracts are fully considered, such as switching to firmly priced contracts and splitting contracts into those functions that can be effectively performed on a firmly priced basis and those that should be performed using a less preferred contract type.
Status: Recommendation valid/action not intended. DOD disagreed with the emphasis on price, and cited the need for case-by-case decisions, and quality considerations.

Recommendation: The Secretary of Defense should provide guidance to contracting officers concerning the relative importance to be given to price and nonprice source selection evaluation criteria in awarding umbrella base support service contracts. The guidance should: (1) emphasize the need to normally give at least equal or greater importance to price as opposed to nonprice criteria in solicitations for work that is mostly routine or predictable; and (2) describe acceptable ways to structure source selection evaluations for umbrella contracts under various circumstances, considering the nature of the work involved. This should include describing the two-step evaluation method that: (1) eliminates offerers with inadequate technical proposals on the first step; and (2) awards the contract to the low responsible offerer on the second.
Status: Recommendation valid/action not intended. DOD disgreed with this recommendation and questioned the emphasis GAO placed on price and cited the need for quality considerations.

Recommendation: The Secretaries of the Army, Navy, and Air Force should revise their regulations and instructions to remove provisions which either exempt existing umbrella contracts from following OMB work statement concepts or conflict with those concepts relating to: (1) clear, definitive, performance-oriented descriptions of the work that needs to be done; and (2) standards with acceptable quality levels for measuring performance.
Addressee: Department of the Air Force
Status: Recommendation valid/action not intended. DOD did not agree that Army, Navy, or Air Force components needed to revise their regulations/instructions.
Addressee: Department of the Navy
Status: Recommendation valid/action not intended. DOD did not agree that Army, Navy, or Air Force components needed to revise their regulations/instructions.
Addressee: Department of the Army
Status: Recommendation valid/action not intended. DOD did not agree that Army, Navy, or Air Force components needed to revise their regulations/instructions.

Department of Defense - Procurement and Contracts

Procurement: Suspension and Debarment Procedures

NSIAD-87-37BR, 02/13/87

Background

In response to a congressional request, GAO reviewed the implementation of suspension and debarment procedures at selected major procuring agencies to determine whether procurement officials should: (1) take specific actions to strengthen the suspension and debarment process; (2) establish suspension and debarment procedures by statute; (3) assign suspension and debarment actions to the various boards of contract appeals; or (4) give explicit guidance to explain what types of business practices could subject businesses to suspension and debarment proceedings.

Findings

GAO found that: (1) none of the agencies had completely implemented effective procurement fraud coordination and

oversight systems to ensure that they referred all appropriate fraud investigations for action and would not inadvertently award new contracts to ineligible contractors; (2) the General Services Administration (GSA) continued to have difficulty providing the Consolidated List of Suspended, Debarred, and Otherwise Ineligible Contractors on a timely basis, even though it published monthly updates; (3) existing regulations contained some deficiencies and loopholes, which could enable suspended or debarred contractors to directly or indirectly continue contracting with the government; and (4) provisions governing the continuation and termination of existing contracts needed clarification or change. In one particular case, the Department of Health and Human Services (HHS) proposed a firm for debarment, precluding it from contracting with HHS; however, the Department of Defense continued to award it new contracts. GAO believes that: (1) each procuring agency should coordinate and monitor all procurement fraud investigations to ensure that all available remedies are considered; (2) a statute would not be in the government's best interest because it would unduly delay the suspension and debarment process; and (3) it would not be in the government's interest to add to the appeals boards' work loads to hear debarment and suspension cases.

Open Recommendations to Congress

Recommendation: The House Committee on Government Operations may wish to periodically inquire about the status of procuring agencies' efforts to improve the suspension and debarment process, and to alleviate deficiencies. Specifically, these would include: (1) GSA efforts to provide governmentwide access to its computerized Consolidated List; (2) improvements to the coordination and monitoring of procurement fraud investigations and remedies; and (3) efforts to take suspension and debarment actions on preindictment and noncriminal grounds, in addition to indictments and convictions.
Status: Action not yet initiated

Open Recommendations to Agencies

Recommendation: The Civilian Agency Acquisition Council and the Defense Acquisition Regulatory Council should adopt changes to the Federal Acquisition Regulation (FAR) presently under consideration by the councils to: (1) make proposed debarments effective governmentwide; (2) better define affiliation, and require that all prospective contractors certify whether they are affiliated with a suspended or debarred contractor; and (3) extend the coverage of the regulations to include all subcontractors.
Addressee: General Services Administration: Civilian Agency Acquisition Council
Status: Action in process. Estimated completion date: 04/88. In the July 31, 1987, Federal Register, CAAC and DARC cited GAO report NSIAD-87-37BR, and invited comments on proposed changes to FAR. The GAO Office of General Counsel (OGC) commented on September 25, 1987. As of November 30, 1987, CAAC had not yet received DARC comments, but was in the process of evaluating all other comments. FAR changes are estimated by April 1988.
Addressee: Department of Defense: Defense Acquisition Regulatory Council
Status: Action in process. Estimated completion date: 04/88. In the July 31, 1987, Federal Register, CAAC and DARC cited GAO report NSIAD-87-37BR, and invited comments on proposed changes to FAR. GAO/OGC commented on September 25, 1987. As of November 30, 1987, CAAC had not yet received DARC comments, but was in process of evaluating all other comments. FAR changes are estimated by April 1988.

Recommendation: For those deficiencies that are not currently being addressed, the Civilian Agency Acquisition Council and the Defense Acquisition Regulatory Council should adopt changes to FAR to alleviate these problems. These would require that contractor hearings be carried out under a uniform set of procedures and the regulations covering the continuation and termination of existing contracts be clarified. FAR should also be amended to define to what extent procurement orders placed under optional contractual arrangements, such as nonmandatory multiple awards schedules and basic ordering agreements, are to be considered contracts for the purpose of FAR suspension and debarment provision 9.405-1.
Addressee: General Services Administration: Civilian Agency Acquisition Council
Status: Action not yet initiated. GSA is waiting for DOD to comment on the report.
Addressee: Department of Defense: Defense Acquisition Regulatory Council
Status: Action not yet initiated. DOD has not commented on the report.

Recommendation: The Civilian Agency Acquisition Council and the Defense Acquisition Regulatory Council should amend FAR to require that each government procurement contract contain a clause which states that the government may terminate the contract under default conditions if the contractor is debarred during the course of the contract because of a conviction of a crime or a civil judgement for fraud in connection with the award or the performance of any government contract. The clause should specify that the decision to terminate be made only

by the procuring agency head or a designee.
Addressee: General Services Administration: Civilian Agency Acquisition Council

Status: Action not yet initiated. GSA is waiting for DOD to comment on the report.
Addressee: Department of Defense: Defense Acquisition Regulatory Council

Status: Action not yet initiated. DOD has not commented on the report.

Department of Defense - Procurement and Contracts

Army Procurement: Restricted Competition for Water Purification Equipment Not Justified

NSIAD-87-129, 04/28/87

Background

In response to a congressional request, GAO reviewed the Army's procedures in awarding and administrating contracts for the design, development, and production of 600 and 3,000 gallon-per-hour (GPH) reverse osmosis water purification units (ROWPU) to convert seawater and contaminated fresh water into potable water.

Findings

GAO found that, the Army restricted competition to two contractors because: (1) it urgently needed to field the units; (2) an amendment to the Competition in Contracting Act (CICA) permitted agencies to use noncompetitive procedures when the property or services needed were available from a limited number of responsible sources; and (3) the development contractors' drawings and data were not adequate for use in soliciting open competition. GAO believes that the Army's justification for limiting competition was inadequate because: (1) there was no analysis that demonstrated that the use of restrictive procedures would ensure that the contractors could provide ROWPU by the desired date or that CICA procedures would not; (2) first-article testing would avoid or limit deficiencies in the drawings and manufacturing process; and (3) its plans to procure 60 percent of its requirement under the first contract would limit future competition for the remaining units.

Open Recommendations to Agencies

Recommendation: The Secretary of the Army should direct procurement officials to solicit full and open competition for the planned procurement of the 3,000 GPH ROWPU, unless an analysis shows that the risk of doing so outweighs the benefits envisioned by CICA.
Status: Action not yet initiated. The Army has not commented on the report.

Department of Defense - Procurement and Contracts

Military Construction: The Letterkenny Army Depot Retrieval System

NSIAD-87-112BR, 05/21/87

Background

In response to a congressional request, GAO examined the funding and acquisition of the Automated Storage and Retrieval System at the Letterkenny Army Depot to determine if the Army properly classified it as an equipment procurement rather than a construction project.

Findings

GAO found that the Army: (1) originally determined that the Department of Defense's definition of construction did

not apply to the facility because it would neither stand alone nor form a separate building useable for other purposes; (2) incorrectly continued to classify the facility as an equipment procurement despite design changes, which required the construction of an individual building with other possible uses; (3) improperly charged funds to the Army Industrial Fund Capitalization Program; and (4) should have used available military construction appropriations.

Open Recommendations to Agencies

Recommendation: The Secretary of the Army should take the administrative actions necessary to report the Army's violation of the Antideficiency Act, 31 U.S.C. 1341(a).

Status: Action in process. The Army expects to report this as an antideficiency violation. The investigation is complete and personal responsibility is being assessed.

Department of Defense - Procurement and Contracts

Procurement: Defense Logistics Agency Implementation of the Spare Parts Initiatives

NSIAD-87-143, 06/01/87

Background

In response to a congressional request, GAO assessed the Defense Logistics Agency's (DLA) progress in implementing the spare parts initiatives at the Defense Electronics Supply Center (DESC), specifically: (1) price increases; (2) the adequacy of the price analysis procurement officials performed; (3) personnel changes resulting from the initiatives; and (4) DESC difficulties in maintaining a trained and experienced contracting work force.

Findings

GAO compared the prices on 107,333 procurements totalling $507.9 million during the year ended March 1, 1985, and found that: (1) 8 percent of the procurements experienced price increases of 25 percent or more; and (2) 65 percent had either no price change or a price decrease. GAO also found that DESC: (1) bought in larger quantities, increased the use of competition, changed its employee performance evaluation factors, and provided internal government price estimates; (2) performed inadequate price analyses in 46.7 of the procurements it sampled with 25-percent price increases and in 28 percent of the procurements with no price change; and (3) did not consolidate purchase requests, resulting in unnecessary duplication of contract awards, increased administrative costs, and uneconomical purchase quantities. DESC indicated that the major obstacle to continued improvement in price analysis under the initiatives was its inability to retain experienced, well-trained buyers. GAO believes that this could slow or reduce the improvements necessary to the success of the initiatives.

Open Recommendations to Agencies

Recommendation: The Director, DLA, should require the Commander, DESC, to take the necessary action to ensure consolidation of purchase requests when appropriate. The need for such action at other DLA centers should also be assessed, and if necessary, a system established to ensure consolidation is considered during price analysis.

Status: Action in process. Estimated completion date: 06/90. Modification of the automated system at all supply centers to ensure consolidated procurement occurs, when appropriate. The modification will be phased in over a 3-year period.

Department of Defense - Procurement and Contracts

Contract Pricing: Defense Contractor Cost Estimating Systems

NSIAD-87-140, 06/03/87

Background

GAO reviewed defense contractors' estimating systems to determine whether they produced accurate and reliable materiel cost estimates.

Findings

GAO found that: (1) contractors were not providing Department of Defense (DOD) contracting officers with reliable materiel cost estimates; (2) contracting officers rely extensively on contractor estimates in awarding noncompetitive contracts; (3) current procurement regulations do not require contractors to maintain adequate estimating systems; and (4) the Air Force and the Defense Contract Audit Agency proposed amendments to the Federal Acquisition Regulation that would allow contracting officers to disapprove contractor estimating systems and require them to decrease contract prices in the event of estimation errors.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct DOD personnel to assemble and refine standards which clearly define what constitutes an acceptable estimating system.
Status: Action in process. The DAR Council is reviewing public comments on the proposal to revise DFARS guidance on estimating systems.

Department of Defense - Procurement and Contracts

ADP Systems: Concerns About DOD's Composite Health Care System Development Contracts

IMTEC-87-25, 06/08/87

Background

GAO reviewed the Department of Defense's (DOD) award of initial systems development contracts for the acquisition and implementation of the Composite Health Care System (CHCS).

Findings

GAO found that: (1) DOD received six proposals for CHCS system development contracts, but it failed to conduct required discussions with offerers, which caused a 3-month program delay and increased costs; (2) DOD did not attempt to resolve certain apparent uncertainties and suspected mistakes in unacceptable proposals because it believed that the proposals could not be made acceptable through further discussions; (3) DOD failed to document discussions with offerers for revised proposals or any agreements reached in contract negotiations; (4) DOD did not consider all relevant cost factors as a result of adding a fourth proposal to the competitive range; (5) changes in the DOD acquisition strategy increased contract costs to $7 million; (6) DOD expected to reduce individual system development costs through cost-sharing arrangements, but did not have a reasonable basis to negotiate a fair cost-sharing agreement because it failed to verify proposed contributions; and (7) greater participation and documentation of discussions with contractors is necessary to achieve full compliance with federal acquisition regulations.

Open Recommendations to Agencies

Recommendation: To help ensure that the CHCS acquisition schedule does not outweigh compliance with the Federal Acquisition Regulation in the future, the Secretary of Defense should take

affirmative steps to ensure that meaningful discussions are adequately conducted and documented for the balance of the procurement.
Status: Action in process. DOD developed draft procedures which it believes will comply with this recommendation. The procedures are presently being reviewed within DOD.

Recommendation: The Secretary of Defense should, with assistance from the Defense Contract Audit Agency, determine the value of cost-sharing arrangements to ascertain whether the government received reasonable value for relinquishing its technical data and computer software rights, and, if necessary, renegotiate these arrangements.
Status: Action in process. DOD initiated corrective action by requesting a Defense Contract Audit Agency evaluation to determine the value of the cost-sharing arrangements GAO questioned.

Department of Defense - Procurement and Contracts

Small Business Act: Air Force's Disadvantaged Business Advocate Not Reporting to Proper Management Level

GGD-87-88, 06/22/87

Background

Pursuant to a congressional request, GAO reviewed the Air Force's compliance with the Small Business Act to determine whether the Director of its Office of Small and Disadvantaged Business Utilization (OSDBU) was reporting to the Secretary or Under Secretary, as the act required.

Findings

GAO found that the Air Force was not complying with the act because the Director, OSDBU, was reporting to an Assistant Secretary, rather than to the Secretary or Under Secretary.

Open Recommendations to Agencies

Recommendation: To bring the Air Force into compliance with section 15(k)(3) of the Small Business Act, the Secretary of the Air Force should require the Director, OSDBU, to be responsible only to and report directly to the Secretary or Under Secretary.
Status: Action in process. According to the Department of Defense Inspector General, the Air Force and Office of the Secretary of Defense are at odds on the response to this recommendation.

Department of Defense - Procurement and Contracts

Procurement: Better Compliance With the Competition in Contracting Act Is Needed

NSIAD-87-145, 08/26/87

Background

In response to a congressional request, GAO reviewed selected federal agencies' procurement practices to determine whether they complied with the provisions of the Competition in Contracting Act of 1984 (CICA).

Findings

GAO reviewed 104 contracts that agencies awarded on a competitive basis and found that: (1) although agencies generally failed to adequately follow

CICA procedures, most of their decisions were appropriate; (2) agencies awarded contracts without justification and the contracts lacked the proper certification and approval; and (3) many of the justifications did not meet Federal Acquisition Regulation (FAR) standards. GAO also found that: (1) agencies did not comply with requirements relating to use of the Commerce Business Daily (CBD); (2) CICA seems to have had a positive effect on the level of competition in federal government procurement, since the percentage of competitively awarded agency contracts increased between 1983 and 1986; and (3) some agency officials believe that CICA has caused an increase in contract award processing time.

Open Recommendations to Agencies

Recommendation: The Secretaries of Defense and Energy, and the Administrator, National Aeronautics and Space Administration (NASA), should take actions to ensure that all personnel involved in awarding contracts of more than $25,000 understand and comply with the requirements of CICA and FAR relating to written justifications for decisions not to provide for full and open competition. Such compliance should include: (1) demonstrating that use of any exception to full and open competition cited is appropriate; (2) properly preparing and certifying the justifications so that they include all the required elements; (3) preparing the justifications after the market survey efforts have been completed and their results considered; and (4) properly approving them.
Addressee: Department of Defense
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: National Aeronautics and Space Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: Department of Energy
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.

Recommendation: The Secretary of Defense and the Administrators of General Services, NASA, and Office of Federal Procurement Policy (OFPP) should amend FAR 6.302-2(c) to provide that justifications for contract awards, based on the second exception to full and open competition, shall be prepared and approved no later than 30 days after the date of contract award if the current FAR criteria for preparation and approval after award are met.
Addressee: Department of Defense
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: National Aeronautics and Space Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: Office of Federal Procurement Policy
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: General Services Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will by taken.

Recommendation: The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should revise FAR to preclude any required CBD notices of proposed awards, regardless of whether or not the award is expected to be based on full and open competition.
Addressee: Department of Defense
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: National Aeronautics and Space Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.

Addressee: Office of Federal Procurement Policy
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: General Services Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.

Recommendation: The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should revise FAR to improve the wording of CBD numbered note 22 so it indicates that: (1) an award is expected to be based on other than full and open competition, unless the market survey results show that the use of full and open competition is appropriate; (2) all interested sources may submit a response; (3) this market survey effort is intended to find out whether any additional sources are available that are capable of satisfying the government's needs, verify that no other types of supplies or services are available that can satisfy those needs, and help identify potential sources for future requirements, if applicable; and (4) if a competitive procurement is held, competitive solicitations will be sent to all sources that have demonstrated they are capable of satisfying the government's needs.
Addressee: Department of Defense
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: National Aeronautics and Space Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: Office of Federal Procurement Policy
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned changes will be accomplished, or what specific actions will be taken.
Addressee: General Services Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.

Recommendation: The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should revise FAR to state that, for written justifications based on the first exception to full and open competition, contracting officers may not certify, and approving officials may not sign, a required justification until: (1) any required notice of proposed award has been published in the appropriate section of CBD and, whenever feasible, a copy of the actual published notice demonstrating this fact has been attached to the justification; (2) the contents of all CBD footnotes referred to in the notice have been disclosed as part of the justification; (3) information has been provided showing that the requirements of FAR 5.203 have been met; and (4) the results of all market survey efforts made have been considered and described in the justification.
Addressee: Department of Defense
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: National Aeronautics and Space Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: Office of Federal Procurement Policy
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: General Services Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.

Recommendation: The Secretary of Defense and the Administrators of

General Services, NASA, and OFPP should take action in coordination with the Secretary of Commerce to ensure that the wording of CBD notices and related footnotes complies with FAR and CICA.
Addressee: Department of Defense
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: National Aeronautics and Space Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: Office of Federal Procurement Policy
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: General Services Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: Department of Commerce
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.

Recommendation: The Secretaries of Defense and Energy and the Administrator, NASA, should take actions, such as those involving formal or informal training, written instruction, better supervision, and other improved management controls, to ensure that all personnel involved in awarding contracts of more than $25,000 understand and comply with the requirements of CICA and FAR relating to use of CBD.
Addressee: Department of Defense
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: National Aeronautics and Space Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: Department of Energy
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.

Recommendation: The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should revise FAR to state that restricting a solicitation to a specific make and model: (1) does not meet the requirement for full and open competition; and (2) requires written justification, certification, and approval for other than full and open competition, in accordance with CICA.
Addressee: Department of Defense
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: National Aeronautics and Space Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: Office of Federal Procurement Policy
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: General Services Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.

Recommendation: The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should revise FAR to state that, if a proposed procurement for a specific

make and model is justified, certified, and approved as other than full and open competition, offers are required to be solicited from as many other sources, such as dealers, licensees, and sellers of used equipment, as is practicable in the circumstances.
Addressee: Department of Defense
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned changes will be accomplished, or what specific actions will be taken.
Addressee: National Aeronautics and Space Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: Office of Federal Procurement Policy
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: General Services Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.

Recommendation: The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should revise FAR to preclude limiting the solicitation to a particular product of one manufacturer and alternate products meeting the agency's requirement under procedures providing for full and open competition, unless the solicitation describes the essential features of the agency's requirement so that potential offerers of alternate products may know what is acceptable to the agency.
Addressee: Department of Defense
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: National Aeronautics and Space Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: Office of Federal Procurement Policy
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: General Services Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.

Recommendation: The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR subpart 6.5 to better inform agency officials regarding the duties and responsibilities, such as those closely related to the award of contracts, which should not be performed by competition advocacy staff because they are inconsistent with those CICA has assigned to the competition advocates.
Addressee: Department of Defense
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: National Aeronautics and Space Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: Office of Federal Procurement Policy
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.
Addressee: General Services Administration
Status: Action not yet initiated. The agencies that are affected by the recommendations are in the process of jointly discussing planned actions, particularly with respect to FAR changes. It is not yet known when these planned actions will be accomplished, or what specific actions will be taken.

Military Pay

ADP Acquisition: Navy Has Not Justified an Additional PERSPAY Computer

IMTEC-87-29, 08/21/87

Background

GAO reviewed the Department of the Navy's decision to purchase an additional mainframe computer for its Personnel and Pay Systems Consolidated Computer Center Project (PERSPAY).

Findings

GAO found that the: (1) estimated total cost for the additional computer is over $6 million; (2) Navy did not consider other, more cost-effective alternatives; (3) Navy did not comply with federal regulations mandating a comprehensive requirements analysis prior to any acquisition; and (4) Navy based its future needs and work loads on past experience without proper validations and assessment.

Open Recommendations to Agencies

Recommendation: The Secretary of the Navy should direct the Commanding Officer of the Navy Finance Center to attempt to satisfy the data center's computer capacity requirements, until the PERSPAY 11 procurement, by exploring less costly alternatives. Specifically, the center should explore those alternatives required by federal regulations, and other options, such as shifting test work loads to free computers during peak hours
Status: Action in process. Estimated completion date: 04/88. The Navy PERSPAY sponsor informed GAO that these actions should be completed in the spring of 1988.

Military Pay

Financial Audit: Military Retirement System's Financial Statements for Fiscal Year 1985

AFMD-87-35, 09/30/87

Background

Pursuant to a congressional request, GAO audited the financial statements of the U.S. Military Retirement System for fiscal year 1985.

Findings

GAO found that, except for an understatement and a lack of disclosure of about $75 million in accounts payable, the financial statements presented fairly the System's financial position for the fiscal year then ended, and the results of its operations, in conformity with generally accepted accounting principles applied on a consistent basis. GAO also found that: (1) internal controls were adequate for proper benefit claims processing and payment, actuarial data collection and processing, accounting for appropriations and monthly contributions, and investment and cash transactions; (2) there were internal accounting control weaknesses in the recording and reporting of financial information at finance centers regarding accounts receivable; (3) the Department of Defense (DOD) did not charge interest on accounts receivable for overpayments of benefits; (4) DOD managed the Defense Military Retirement Fund properly and in conformity with legal requirements; (5) the System will be self-sufficient by the end of its 75-year capitalization period; and (6) except for the omission of interest charges on certain accounts receivable, the System complied with the terms and provisions of laws and regulations for transactions that could have had a material effect on the financial statements.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Fund

managers to develop policies and procedures specifically addressing the recording and reporting of all accounts receivable.
Status: Action in process. Estimated completion date: 12/87. DOD expects to issue new chapters in DOD Manual 7220.9-M which expand the applicable standards governing the recording and reporting of all accounts receivable.

Recommendation: The Secretary of Defense should direct the finance centers to charge interest on accounts receivable in accordance with the Debt Collection Act of 1982.
Status: Action in process. The Deputy Assistant Secretary of Defense for Management Systems prepared a memorandum dated May 21, 1987, outlining a Debt Management Improvement Plan, which highlighted the requirement for assessing interest on delinquent accounts receivable.

Telecommunications and Radio Frequency Spectrum Use (Military-Related)

Radio Frequencies: Earlier Coordination Could Improve System Use and Save Costs

NSIAD-87-42, 02/09/87

Background

GAO reviewed the Department of Defense's (DOD) efforts to coordinate the use of radio frequencies with European nations for command, control, and communication systems.

Findings

GAO noted that DOD modified some command, control, and communication systems to meet frequency requirements overseas, which resulted in costly delays. DOD stated that coordination was delayed because: (1) its guidance did not specify in which stage of a system's acquisition coordination should take place; (2) it could not disclose system information which contained business proprietary data or U.S. classified or restricted technological information; (3) coordination with host nations on systems that were changing or would never become operational was detrimental to the frequency management process; and (4) a system it developed for use in one nation could be fielded later in another nation. GAO found that delays and unnecessary costs resulted when DOD did not coordinate with host nations early in the development of communication systems to ensure that they would approve the frequencies DOD selected.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should change management controls in the DOD instruction dealing with system acquisition and frequency coordination to specify that host nation frequency coordination be initiated no later than a system's full-scale development phase. The Secretary should also direct that the secretaries of the military departments change their instructions to conform to the changed DOD instruction.
Status: Action in process. Actions in process include: (1) issuing a directive; (2) revising a DOD instruction; and (3) introducing a control form.

Recommendation: The Secretary of Defense should direct the Chairman, Military Communications-Electronics Board, to strengthen management controls in the coordination process by: (1) requiring the military departments to routinely provide written authority to release frequency allocation applications and related documents to host nations for coordination before contracting for full-scale development; and (2) ensuring that theater commander comments and available host-nation comments are incorporated in frequency guidance to the military departments for the development, procurement, or modification of systems. When host-nation comments are unavailable, the guidance should explain why, when they are expected to be obtained, and what the likely frequency problems facing the system will be.
Status: Action in process. Actions in process include: (1) issuing a directive; (2) revising a DOD instruction; and (3) introducing a control form.

Telecommunications and Radio Frequency Spectrum Use (Military-Related)

Battlefield Automation: Army Air Defense Command and Control System Acquisition and Budget Issues

NSIAD-87-208, 09/28/87

Background

In response to a congressional request, GAO reviewed the Army's Forward Area Air Defense Command, Control and Intelligence System (FAAD C2I) focusing on the system's cost, schedule and performance, and the Army's 1988 budget request.

Findings

GAO found that: (1) the Army underestimated program costs by about $3.2 billion because it did not include costs related to the Army National Guard, corps missile battalions, and war reserves; (2) although projected delays in acquiring computer software and hardware could delay the system's acquisition and fielding schedule, the Army did not defer the contracts for the second phase of development; (3) the Army plans to deploy the initial FAAD C2I system without an aerial sensor or certain aircraft identification features; and (4) the Army may not need $93.2 million of its $207.8 million fiscal year (FY) 1988 funding request because of the projected schedule delays.

Open Recommendations to Congress

Recommendation: The House Committee on Appropriations, Subcommittee on Defense, should reduce the Army's FY 1988 FAAD C2I funding request by $93.2 million.
Status: Action in process.

Open Recommendations to Agencies

Recommendation: The Secretary of the Army should review the decision to exclude certain requirements when estimating the FAAD C2I program cost.
Status: Action not yet initiated. Action is not expected to be reported until December 1987.

Recommendation: The Secretary of the Army should direct the project office to include all valid requirements in subsequent cost estimates.
Status: Action not yet initiated. Action is not expected to be reported until December 1987.

Weapons Systems

DOD Acquisition: Strengthening Capabilities of Key Personnel in Systems Acquisition

NSIAD-86-45, 05/12/86

Background

In response to a congressional request, GAO examined the Department of Defense's (DOD) acquisition work force, specifically program managers and contracting officers and their: (1) roles in weapons system acquisition; (2) tools to carry out their jobs; (3) external influences; and (4) career preparation.

Findings

A program manager heads each weapon system acquisition with assistance from various specialists, including a contracting officer who is legally authorized to commit the government to contracts. GAO found that the program managers' and contracting officers' capability to contract for new weapon systems is limited because: (1) their roles in early program phases are not fully defined or well understood in practice; (2) acquisition strategy development lacks the criteria to tailor the competition's scope and intent to individual programs; (3) external factors affect many programs and create a poor climate for logical, planned program development; and (4) career programs do

not provide the intense and diverse experience, training, qualification criteria, and incentives to develop program managers and contracting officers. GAO also found that about half of the 17 new programs it reviewed fell short of the minimum competition level that DOD policy called for because: (1) DOD has not identified the program characteristics sensitive to various levels of competition or the criteria to apply them; (2) insufficient advance funding limited the programs; (3) many recently appointed program managers lacked substantial program-office or other acquisition experience, as well as specialized training; (4) the selection of contracting officers was not based on specific experience, education, or training; and (5) military career paths did not identify the types of acquisition experience desired.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should establish policies to assign the first program manager at the program conception stage.
Status: Action not yet initiated.

Recommendation: The Secretary of Defense should establish policies to clarify the program manager's role to ensure a flexibly stated requirement that permits a creative design process and is subject to reexamination as the program proceeds.
Status: Action not yet initiated.

Recommendation: The Secretary of Defense should establish policies to clarify the contracting officer's role and relationship with the program manager in weapon system acquisition, including assignment of the first contracting officer at the program conception stage.
Status: Action not yet initiated.

Recommendation: The Secretary of Defense should establish policies to establish, in each program office, a clear focus and responsibility for contracting strategy formulation and execution. The contracting officer or other expert filling such a position should be a highly qualified system acquisition expert and a full team member from program inception.
Status: Action not yet initiated.

Recommendation: The Secretary of Defense should have a research and experimentation program to develop criteria for determining the appropriate level of competition in the design and development phases of new programs.
Status: Action not yet initiated.

Recommendation: The Secretary of Defense should require training to be provided to program managers and contracting officers on the newly developed guidance.
Status: Action not yet initiated.

Recommendation: The Secretary of Defense should, pending criteria development, require competition in the concept exploration, demonstration, and validation phases unless specifically waived.
Status: Action not yet initiated.

Recommendation: The Secretary of Defense should have management approval of the acquisition strategy linked to the budget funding process so that key front-end decisions will be protected and the optimum program strategy will set funding requirements, not the reverse.
Status: Action not yet initiated.

Recommendation: The Secretary of the Air Force should identify types of program manager positions for which civilians should be considered.
Status: Action not yet initiated.

Recommendation: The Secretary of the Air Force should select program managers based on demonstrated performance in the acquisition career field.
Status: Action in process. The Air Force will not release its comments until the DOD Inspector General issues formal comments.

Recommendation: The Secretary of the Air Force should expand the coverage of the civilian acquisition career program.
Status: Action not yet initiated.

Recommendation: The Secretary of the Army should establish a functional specialty in acquisition management and define desired acquisition experience within this career field.
Status: Action not yet initiated. The Army has taken no action on this recommendation. It is studying whether such a move would be feasible.

Recommendation: The Secretary of the Army should identify types of program manager positions for which civilians should be considered.
Status: Action not yet initiated. The Army has taken no action on this recommendation. It is reviewing this internally to see if such a move would be feasible.

Recommendation: The Secretary of the Army should select program managers based on demonstrated performance in the acquisition career field.
Status: Action not yet initiated. The Army has taken no action on this recommendation. It is reviewing whether this would be feasible.

Recommendation: The Secretary of the Navy should establish a career field in acquisition that provides adequate acquisition experience and defines desired acquisition experiences.
Status: Action not yet initiated.

Recommendation: The Secretary of the Navy should identify types of program manager positions for which civilians should be considered.
Status: Action not yet initiated.

Recommendation: The Secretary of the Navy should select program managers based on demonstrated performance in the acquisition career field.
Status: Action not yet initiated.
Recommendation: After clarifying the contracting officer's roles and responsibilities and fully establishing the team approach, the Secretary of Defense should broaden the experience and training requirements for major system contracting personnel to include specialized experience and ensure that necessary resources are provided to implement such a program.
Status: Action not yet initiated.

Recommendation: After clarifying the contracting officer's roles and responsibilities and fully establishing the team approach, the Secretary of Defense should develop, based on such roles and responsibilities, specific education, experience, or other selection criteria for system contracting officers.
Status: Action not yet initiated.

Recommendation: After clarifying the contracting officer's roles and responsibilities and fully establishing the team approach, the Secretary of Defense should provide career incentives for system contracting personnel by allowing them to enter other acquisition fields through development and opportunity.
Status: Action not yet initiated.

Recommendation: After clarifying the contracting officer's roles and responsibilities and fully establishing the team approach, the Secretary of Defense should request that the Office of Personnel Management evaluate reclassifying system contracting personnel from administrative to professional if the roles, as clarified, and needed qualifications justify such action.
Status: Action not yet initiated.

Weapons Systems

Weapon Performance: Operational Test and Evaluation Can Contribute More to Decisionmaking

NSIAD-87-57, 12/23/86

Background

In response to a congressional request, GAO reported on operational test and evaluation (OT&E) as a means of testing weapon system performance, specifically: (1) its historical adequacy since 1970; and (2) its limitations concerning recently deployed major weapon systems.

Findings

GAO found that: (1) there were 32 historical cases where testing was unrealistic because it did not adequately replicate the operational environment; (2) the use of contractor support limited the realism of the test agency's OT&E results in its evaluation of aircraft effectiveness; (3) there were 25 historical cases where test objectives, criteria, and plans were incomplete, unclear, or absent; (4) OT&E personnel lacked clearly defined evaluation criteria; (5) test resources were limited or unavailable in 27 cases; (6) test reports in 22 cases did not provide the most current, complete, or accurate data on the performance of major systems before production; (7) the test report on the Multiple Launch Rocket System did not adequately describe the significance of a problem with the ammunition resupply trailer; and (8) the services frequently failed to operationally test a prototype before production.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should enforce the requirement that operational testing: (1) be done in as operationally realistic an environment as possible; and (2) not be performed unless there are clearly stated test objectives and criteria.
Status: Action in process. The Department of Defense (DOD) initiated a new program element to enhance operational testing in a realistic environment. Funding has been requested in the fiscal year 1988 through 1989 budget.

Recommendation: The Secretary of Defense should improve the usefulness

of OT&E results by the services' OT&E agencies by requiring the agencies to: (1) state whether OT&E demonstrated that the system met operational requirements; (2) discuss the operational effect of significant test limitations and adverse test results on system performance; and (3) clearly state whether a system is operationally suitable and effective.
Status: Recommendation valid/action not intended. DOD believes that OT&E results and limitations are provided to decisionmakers. DOD also believes that OT&E agencies should not be required to make a decision on a system's suitability and effectiveness.

Weapons Systems

Army Maintenance: Continuing Problems in Performing Maintenance at the User Level

NSIAD-87-104, 04/24/87

Background

GAO reported on the Army's problems in maintaining equipment at the user level and evaluated the effectiveness of its organizational maintenance program.

Findings

GAO found that the Army is not effectively maintaining its equipment at maximum mission capability at the lowest cost because personnel: (1) are not detecting and reporting most equipment deficiencies; (2) are not performing routine maintenance; (3) have inadequate training and supervision; (4) do not have access to necessary repair parts; (5) are not maintaining organizational maintenance records properly; (6) are not using diagnostic equipment to isolate and identify vehicle failures; and (7) do not compile and summarize inspection results for submission to upper management. GAO concluded that higher level managers need to receive periodic summaries of inspection reports to identify the existence and impact of organizational maintenance problems so that management is assured of materiel availability and has a basis for instituting corrective actions.

Open Recommendations to Agencies

Recommendation: The Secretary of the Army should reemphasize to commanders at all levels the importance of maintenance in supporting an effective combat force, and direct the commanders to ensure that: (1) equipment operators and maintenance personnel are properly supervised and trained in the correct procedures and practices; (2) maintenance personnel are properly trained on and required to use test, measurement, and diagnostic equipment; and (3) equipment operators and maintenance personnel are held accountable for and evaluated on how well they perform their assigned duties.
Status: Action in process. Estimated completion date: 12/87. Actions include the: (1) development of training courses; (2) establishment of automatic data processing (ADP) systems to enhance reporting; and (3) establishment of proposed PMCS teams.

Weapons Systems

Weapon Systems: Shortfalls in Automatic Fault Diagnostics

NSIAD-87-98, 04/24/87

Background

GAO reviewed the Army's problems with automatic diagnostic equipment, actions the Army is taking to overcome its problems, and improvements needed to minimize such problems in future weapons acquisitions.

Findings

GAO found that: (1) while performance of automatic diagnostic equipment varied, neither internal nor external diagnostic equipment performed as expected during operational tests; (2) the Army had not completed some operational testing; (3) in some cases, the Army spent substantial sums to improve diagnostic software or other system aspects; (4) diagnostic equipment contractors have generally emphasized system performance, at the expense of maintainability; (5) the Army does not provide specific contractual diagnostic requirements or guidelines for making trade-offs between internal and external diagnostic equipment; (6) diagnostics testing was limited and lagged behind system testing; and (7) the Army adopted a standard to provide uniform procedures and methods for establishing a testability program.

Open Recommendations to Agencies

Recommendation: The Secretary of the Army should direct the U.S. Army Materiel Command to provide development contractors, where possible, with specific automatic diagnostic requirements, along with guidance for making trade-offs between internal and external diagnostics equipment.
Status: Action in process. An approach was identified to achieve this recommendation and is being used throughout the Department of Defense (DOD) on a trial basis.

Recommendation: The Secretary of the Army should direct the U.S. Army Materiel Command to establish plans for and monitor the development of diagnostics to ensure that diagnostics development and testing appropriately parallel system development and testing.
Status: Action in process. The Army has begun to revise its guidelines and will publish a regulation in the future.

Recommendation: The Secretary of the Army should direct the U.S. Army Materiel Command to develop and evaluate the use of contract incentives and penalties, where possible, to encourage contractors to meet these requirements.
Status: Action not yet initiated.

Recommendation: Regarding ongoing standard automatic test equipment programs, the Secretary of the Army should direct the U.S. Army Materiel Command to ensure that standard diagnostic equipment, such as the Intermediate Forward Test Equipment (IFTE), is designed to meet user needs and remains technically advanced as long as it is being used.
Status: Action in process. The Army agreed with this recommendation and stated that it implemented corrective action. No other specifics are available at this time.

Recommendation: Regarding ongoing standard automatic test equipment programs, the Secretary of the Army should direct the U.S. Army Materiel Command to base decisions to convert existing weapons to IFTE on a case-by-case, cost and effectiveness analysis.
Status: Action in process. The Army initiated a policy on April 1, 1986, which specifies this intention. No further action is contemplated.

Recommendation: Regarding ongoing standard automatic test equipment programs, the Secretary of the Army should direct the U.S. Army Materiel Command to assess Contact Test Set and Standard Test Equipment-Expandable capabilities to determine the costs and benefits of supporting one standard tester.
Status: Action in process. A comparison is being made between the contact test set and the Standard Test Equipment-Expandable to assess whether one can be used as the standard tester.

Weapons Systems

Air Defense: Comparison of Upgraded F-4D and F-16A Aircraft

NSIAD-87-163, 06/15/87

Background

In response to a congressional request, GAO reviewed Air Force plans to transfer 270 F-16A fighter aircraft from the Tactical Air Force to the Strategic Air Defense (SAD) force to determine: (1) the Air Force's plans and progress on the F-4D demonstration project; (2) the capability of modified F-4D and F-16A aircraft to meet mission requirements; and (3) the cost of the modified F-4D and F-16A alternatives.

Findings

GAO found that: (1) the Air Force does not plan to conduct the F-4D demonstration project and has requested reprogramming of the funds; (2) the Air Force concluded that it should retire the F-4D, which has reached the end of its useful life; (3) Air Force Logistics Command and National Guard officials believe that a modified F-4D would have capabilities superior to the F-16A in performing air defense missions; and (4) F-16A modifications and operation and support costs would be less than the F-4D, but would not offset the higher cost of replacing the F-16A.

Open Recommendations to Agencies

Recommendation: Because of the unresolved questions regarding the cost- and operational effectiveness of using the modified F-16A and F-4D in the SAD mission and the potential savings involved, the Secretary of the Air Force should conduct a cost- and operational effectiveness analysis comparing the modified F-4D and F-16A aircraft for the air defense mission. The analysis should: (1) include a demonstration comparing the modified aircraft's capabilities against requirements needed to counter the SAD threat; (2) consider other potential missions and uses for the F-16A that would be available under the modified F-4D air defense alternative; and (3) consider that the F-4D would likely require replacement in the SAD mission sooner than the modified F-16A.
Status: Action taken not fully responsive. The Air Force does not concur with this recommendation and plans no further action.

Recommendation: Since the Air Force is accelerating the retirement of the F-4D, the Secretary of the Air Force should identify the approximately 180 most suitable F-4D aircraft for upgrading and ensure they are not retired prior to the conclusion of the demonstration analysis.
Status: Action taken not fully responsive. The Air Force does not concur with this recommendation and plans no further action.

Weapons Systems

DOD Warranties: Improvements Needed in Implementation of Warranty Legislation

NSIAD-87-122, 07/21/87

Background

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) implementation of a statutory requirement that it obtain warranties on weapon systems.

Findings

GAO found that: (1) the 1985 DOD authorizing legislation required it to obtain guarantees that procured items would conform to contract requirements

and be free from defects; (2) DOD significantly increased its use of warranties in response to the legislative requirement; (3) the military services requested few warranty waivers; (4) most warranties contained performance guarantees; and (5) the DOD procurement activities that it visited paid about $244 million for 61 warranties that had specific prices. GAO also found that: (1) the services had prepared cost-effectiveness analyses for only 9 of the 97 warranties that it reviewed, despite a DOD regulation requiring such analyses; (2) warranties could be more specific regarding performance requirements, performance assessment, and potential corrective actions; (3) DOD could better define warranty duration periods; and (4) only 23 of the 97 warranties included provisions requiring physical markings of warranted items.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct that warranties specifically state whether redesign is or is not a possible remedy under the warranty.
Status: Action in process. Estimated completion date: 01/88. DOD will evaluate the effectiveness of guidance to the services on warranties.

Recommendation: The Secretary of Defense should direct the military services to review a representative number of recent and future warranties to ensure that procuring activities are routinely: (1) doing cost-effectiveness analyses of proposed warranties; (2) delineating essential performance requirements and identifying how and when performance will be assessed; (3) considering storage time, coverage of repaired or replaced parts, and coordination of government-furnished components and related end items in establishing warranty duration periods; and (4) directing that warranted items be appropriately marked.
Status: Action in process. Estimated completion date: 01/88. DOD comments were included in the final report. The DOD position remains unchanged. DOD is preparing a tasking letter to the services which will be issued before January 1, 1988. A new warranties guidebook has been issued.

Natural Resources and Environment

Conservation and Land Management

Skewed Bidding Presents Costly Problems for the Forest Service Timber Sales Program

RCED-83-37, 02/09/83

Background

GAO was requested to examine the use of skewed bids on Forest Service timber sales. Skewed bidding occurs when a bidder in a multispecies sale loads most of the bid value on a single tree species and offers the minimum price for the other species. GAO reviewed timber sales in the Forest Service's three western regions where multispecies sales are common and skewed bidding occurs.

Findings

GAO found that the use of skewed bidding is causing costly problems for the Forest Service timber sales program. During fiscal years 1980 and 1981, about $1.9 million in sales revenues was foregone on timber sales closed on 11 of the Forest Service's western national forests, and the Service must devote administrative resources to deal with the harvest management problems caused by skewed bidding. Timber harvesting on a species-by-species basis on skewed bid sales compounds the sale management problems. Species logging permits the purchaser to harvest the high-value trees on the sale last, thus delaying the receipt of sale revenues. Species logging also increases the risk that high-value trees will not be harvested and efforts to resell the timber may be unsuccessful in recouping the loss. Although skewed bidding affects the Forest Service's three western regions, most Forest Service efforts to control the practice have occurred at the individual region or forest levels rather than programwide. The three western regions have restricted bidding on minor species by setting various minimum volume bidding criteria. GAO found that restricting bidding to species with more than 10 percent of the sale volume had limited effect.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Forest Service to control the use of skewed bids on future timber sales. In the short term, the Forest Service could adopt a bid premium distribution procedure, whereby the total bid premium on a timber sale would be spread among the species offered for sale in proportion to the volumes and values of the individual species. In the long term, the Forest Service could require adoption of the fixed-price, lump-sum, tree measurement sales method once industry's concerns about this method are resolved to the Forest Service's satisfaction.
Status: Action in process. Estimated completion date: 04/88. USDA-revised regulations to control skewed bidding were published in the Federal Register on November 6, 1987, requesting comments by January 5, 1988. The target date for final regulation is April 1988.

Conservation and Land Management

The Bureau of Reclamation Could Identify More Unneeded Land

RCED-85-25, 04/12/85

Background

GAO reported on the Bureau of Reclamation's process for identifying unused/underused and unneeded land.

Findings

GAO identified about 1.8 million acres of unneeded land for project purposes. This occurred primarily because the Bureau's annual property reviews did not include detailed reviews of specific parcels of land and it had not completed reviewing the need for all public domain land under its jurisdiction. Recognizing the need to improve its land management program, the Bureau has been implementing a land-use inventory and automated real property asset management system. This could help the Bureau develop a comprehensive and accurate inventory of land no longer needed for project purposes. GAO noted that, since proceeds from the sale of unneeded land are used to reduce the financial obligations of irrigation districts, three such districts could receive reductions in their repayment obligations of about $39 million if 73,000 acres of unneeded land are sold.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to transfer any unneeded public domain land used or needed by other federal agencies to the Bureau of Land Management (BLM) for disposition.

Status: Action in process. Estimated completion date: 01/91. The transfer of unneeded land to BLM for disposition is an ongoing process; however, certain transfers must be completed by 1991.

Recommendation: The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to consider whether interests of the federal government that would be advanced by amending the 1943 Columbia Basin Project Act to recover future surplus settlement land sale revenues for the government rather than crediting them to the repayment obligations of the project's three irrigation districts outweigh the interests of the districts. Should it be determined that the government's interests are paramount, legislation should be submitted to Congress specifying that future surplus revenues from settlement land sales shall be credited to the federal government.

Status: Action in process. Estimated completion date: 03/88. The Bureau of Reclamation is drafting legislation to revoke that section of the Columbia Basin Project Act to recover future surplus settlement land sale revenues for the federal government. The draft legislation will be submitted to the Commissioner, Bureau of Reclamation, for consideration in November 1987.

Recommendation: The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to refrain from selling settlement land at the Columbia Basin Project until consideration of the proper disposition of future surplus settlement land sale revenues has been completed.

Status: Action in process. Estimated completion date: 03/88. The Bureau of Reclamation has continued to sell settlement land, but has placed proceeds in escrow pending receipt of the Interior Solicitor's opinion on disposition of the revenues. The Bureau continues to await an opinion from the Interior Solicitor.

Conservation and Land Management

Public Lands: Interior Should Ensure Against Abuses From Hardrock Mining

RCED-86-48, 03/27/86

Background

GAO evaluated how the Bureau of Land Management (BLM) carries out its mining claim recording and environmental protection responsibilities under the Federal Land Policy and Management Act, focusing on BLM procedures for ensuring that: (1) it gets enough information to determine the location and validity of mining claims on federal lands; and (2) mined lands are adequately reclaimed once mining activity ends. GAO conducted its work at 10 BLM offices in western states, where most of the mining activity within BLM jurisdiction occurs.

Findings

GAO found that: (1) while all 10 BLM offices review claims to ensure that claim holders have provided adequate location information, not all of the offices check to ensure that claims include a map or geographic reference; (2) some BLM officials believe that a map or geographic reference is necessary to adequately establish a claim's location; and (3) in cases where BLM does not adequately check location information, it may be unable to obtain further information from claim holders, if necessary. GAO also found that: (1) BLM failed to inspect more than half of the mining sites that began operations in 1981 to determine whether they had been adequately reclaimed, (2) of the sites BLM inspected, 39 percent had not been reclaimed at the time of inspection; (3) there were a number of sites in the 10 states which showed varying degrees of environmental damage, including deep trenches, open pits, and improperly disposed waste; and (4) while BLM can require mine operators to post bonds to cover the costs of reclamation, it only does so for operators with a record of noncompliance.

Open Recommendations to Agencies

Recommendation: To help ensure that federal lands damaged by mining operations conducted under the Mining Law of 1872 are reclaimed, the Secretary of the Interior should: (1) base his decision on whether to require a reclamation bond on the significance of land disturbance likely to result from the mining operation; and (2) require mine operators to post a bond in an amount large enough to cover the estimated costs of reclamation if their operations could cause significant land disturbance.
Status: Action taken not fully responsive. Although Interior expanded its bonding policy, it fell short of implementing this recommendation.

Recommendation: To enable BLM to better monitor the status of mining operations and operators' compliance with reclamation requirements, the Secretary of the Interior should amend the surface management regulations to require operators to furnish, as part of their notices of intent or plans of operations, the anticipated completion dates of their mining operations.
Status: Action taken not fully responsive. Although Interior expanded its bonding policy, it fell short of implementing the recommendation to require mine operators to furnish BLM the anticipated completion dates of their mining operations.

Conservation and Land Management

Surface Mining: Regulatory Capability of Indian Tribes Should Be Assessed

RCED-87-34, 10/06/86

Background

In response to a congressional request, GAO reviewed issues involving the regulation of surface coal mining on Indian lands, specifically the success of cooperative agreements between the Department of the Interior's Office of Surface Mining Reclamation and Enforcement (OSMRE) and the Navajo, Crow, and Hopi tribes in advancing tribal regulatory proficiency.

Findings

GAO found that OSMRE: (1) successfully monitors the tribes' progress in completing the cooperative agreements' tasks; and (2) has not comprehensively assessed whether the tribes' regulatory proficiency is such that the tribes could assume primary responsibility for regulating coal mining and reclamation activities on their land. The tasks that the tribes must perform include: (1) developing and maintaining a general administration system to manage the regulatory and reclamation program activities; (2) assisting OSMRE in mine plan reviews, inspection and enforcement activities, and performance bond release reviews; (3) participating in technical and administrative training courses; (4) developing tribal mining laws and regulations; (5) determining the known or suspected eligible lands and waters that require reclamation; (6) developing a tribal abandoned mine land reclamation plan; and (7) writing reports to support implementation of specific reclamation projects.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should require the Director, OSMRE, to assess the current tribal regulatory capabilities to determine their readiness for assuming primacy. In those areas where the tribes are judged not ready, OSMRE should identify the specific weaknesses. OSMRE should direct future cooperative agreements toward improving specific regulatory deficiencies identified and evaluating the tribes' performance in correcting those deficiencies.

Status: Action in process. Estimated completion date: 01/88. Interior initiated an assessment of tribal regulatory capability, as recommended. This assessment was completed in August 1987. OSMRE is studying whether more grants will be worthwhile. Staff comments on what is to be done are expected in January 1988.

Conservation and Land Management

Parks and Recreation: Access Permits to Back Bay National Wildlife Refuge Improperly Granted

RCED-87-69, 12/29/86

Background

In response to a congressional request, GAO provided information on the Fish and Wildlife Service's (FWS) access permit program at the Back Bay National Wildlife Refuge, specifically whether individuals with vehicular access permits met the prescribed residential or commercial criteria. GAO examined: (1) laws and regulations to determine how access permits were issued; and (2) the refuge office files to determine whether they contained the documentation required to establish permit holders' eligibility.

Findings

GAO found that FWS: (1) issued 22 of the 54 access permits in effect as of August 1986 without adequate documentation as to the permit holders' eligibility; (2) issued 7 permits as medical waivers, although FWS regulations do not specifically provide for such permits for year-round access; (3) improperly renewed 10 other permits; and (4) took no action to correct some of the problems because of the controversy involved in trying to deny or revoke access permits.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should instruct the Director, FWS, to notify the 22 residential and commercial permit holders who GAO found had not provided sufficient evidence of eligibility, and the 10 who did not submit renewal statements for 1986, that they must furnish the required documentation within a prescribed period of time, and that holders should also be required to provide documentation for their employees, or have their access privileges revoked.
Status: Action in process. FWS finalized its proposed regulations and anticipated issuance of final regulations by July 1987. At that time, FWS planned to notify those permittees lacking adequate documentation and require the submission of appropriate documentation to substantiate eligibility by September 1987. However, the proposed regulations omitted the requirements and criteria under P.L. 96-315.

Recommendation: The Secretary of the Interior should instruct the Director, FWS, to ensure that the interim regulations issued in February 1987, allowing access for medical and other reasons, include clear criteria for these types of permits, and that guidelines are issued to specify the type of documentation necessary to establish eligibility. Once the regulations are issued, FWS should notify the eight current holders of such permits that they will have to reapply within a prescribed period of time and document their eligibility under the interim regulations or have their access permits revoked.
Status: Action in process. FWS issued proposed regulations, instead of interim regulations, as prescribed by its policies to allow public participation in their rulemaking process. These regulations have expanded permittee coverage for medical and other nonfishing commercial permits.

Conservation and Land Management

Surface Mining: Interior Department and States Could Improve Inspection Programs

RCED-87-40, 12/29/86

Background

In response to a congressional request, GAO provided information on federally-approved mine inspection and enforcement programs in four states to determine whether: (1) the states were citing all violations observed during mine inspections; and (2) if the Department of the Interior's Office of Surface Mining Reclamation and Enforcement's (OSMRE) sampling process to select mines for review is appropriate for assessing states' performance in citing mining violations.

Findings

GAO found that: (1) the states made most of the required inspections and ensured that mine operators timely corrected cited violations; (2) state inspectors failed to cite 78 of the 129 total violations GAO and federal inspectors observed during visits to 82 sites; (3) 56 percent of the uncited violations included problems with sediment controls, mining outside permit boundaries, improper topsoil handling, and other violations that could cause off-site environmental damage; (4) states did not cite the 78 violations because they missed the violations or disagreed that a violation existed; (5) states did not issue violation notices if problems were not occurring when they followed up; and (6) states' failures to record all violations could affect penalty determinations and permit suspensions or revocations, since OSMRE bases its decisions on an operator's history of violations. GAO also found that federal inspectors: (1) did not determine if the violations they found were also present during the last state inspection; (2) did not attempt to schedule oversight inspections as close to the latest complete state inspection as

possible; and (3) were not required to determine the potential environmental impact of observed violations or their likely causes.

Open Recommendations to Agencies

Recommendation: To ensure that all violations of the Surface Mining Control and Reclamation Act of 1977 (SMCRA) performance standards are cited, the Secretary of the Interior should require the Director, OSMRE, to determine the reasons why state inspectors are not citing all violations and, based on this information, work with the states to ensure that each violation of the act's performance standards is cited.
Status: Action in process. Estimated completion date: 09/88. OSMRE is in the process of refining and standardizing its present information collection procedures to enable a more specific analysis of the causes of uncited violations and work with the states to gain improvement in this area.

Recommendation: To ensure that all violations of the Surface Mining Control and Reclamation Act of 1977 performance standards are cited, the Secretary of the Interior should require the Director, OSMRE, to work with the states to develop criteria for state use of OSMRE evidence of violations observed during oversight inspections in issuing notices of violation, which will become part of an operator's violation history.
Status: Recommendation valid/action not intended. Interior disagreed with this recommendation. It believes that SMCRA would have to be amended to mandate states to cite violations on the basis of information contained in a 10-day notice. GAO believes that the OSMRE position is incorrect and will follow up in 1988.

Recommendation: To provide more crediable information on state regulatory authorities' performance in administering their mine inspection programs, the Secretary of the Interior should direct the Director, OSMRE, to require OSMRE inspectors to record in inspection reports the potential for harm to the environment or public safety, and the causes of violations observed at each site to help demonstrate the overall effectiveness of state inspection programs and identify areas in need of corrective action.
Status: Action in process. Estimated completion date: 01/88 OSMRE is refining its present evaluation program to include a method of rating the seriousness of observed violations. OSMRE plans to work with states in determining their causes. This action is scheduled for completion by the end of fiscal year 1988.

Conservation and Land Management

Federal Land Acquisition: Land Exchange Process Working But Can Be Improved

RCED-87-9, 02/05/87

Background

In response to a congressional request, GAO reviewed the programs that the Department of Agriculture's (USDA) Forest Service and the Department of the Interior's Bureau of Land Management (BLM) use to plan, negotiate, and implement land exchanges.

Findings

GAO found that the land exchange process is working well, since both BLM and the Forest Service: (1) have established and followed procedures governing land exchanges; and (2) notify and negotiate with state and local governments about exchange proposals early in the exchange process to avoid disagreements. GAO also found that: (1) both agencies need to consistently record the costs of processing exchange proposals to ensure the best budgeting and planning decisions; (2) both agencies follow practices, such as adjusting appraised values to reach equal value, which the Federal Land Policy and Management Act (FLPMA) does not allow, since the government receives lands that are not equal to those it conveys; and (3) although pooling increased the agencies' effectiveness in disposing of scattered tracts of federal land for a desirable parcel, neither agency has evaluated pooling to determine whether its use is in the interest of the government and the public.

Open Recommendations to Agencies

Recommendation: The Secretaries of Agriculture and the Interior should

direct the Chief, Forest Service, and the Director, BLM, respectively, to evaluate the use of pooling to determine whether it is in their interests to continue using it. If pooling is continued, then the agencies should develop policies to promote and control its use.

Status: Action in process. Both USDA and Interior are acting on this recommendation. USDA has requested materials from its regions and will review these materials to assess the validity of pooling. Interior evaluated the use of pooling and developed a proposal outlining actions BLM should take. The proposal is now before management. Management is expected to make a decision soon.

Conservation and Land Management

Surface Mining: State Management of Abandoned Mine Land Funds

RCED-87-57, 02/06/87

Background

In response to a congressional request, GAO evaluated how effectively states manage their abandoned mine reclamation funds, specifically whether they: (1) have adequate financial controls to ensure the proper use of reclamation funds; (2) are reclaiming eligible sites in proper priority sequence; (3) are managing projects in accordance with federal procurement, monitoring, and reporting standards; and (4) are correcting problems through completed projects.

Findings

GAO reviewed five states' reclamation programs and found that: (1) the states implemented financial control procedures and practices to ensure the proper expenditure of reclamation funds; (2) only one state complied with all related grant payment, audit, and inventory requirements; (3) the states generally reclaimed eligible, high-priority projects; (4) the states managed their reclamation projects in compliance with applicable procurement and project monitoring standards, except for Kentucky's selection of design contractors, which lacked documentation; (5) the states conducted inspections both immediately after completing construction and later to ensure that projects successfully resolved their reclamation problems; and (6) although none of the states compiled summary data, most completed projects successfully reduced the number of problems. GAO noted that it could not readily assess the overall success of the projects in reducing identified problems because summary data were not available.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should require the Director, Office of Surface Mining Reclamation and Enforcement (OSMRE), to emphasize to the states the importance of complying with Office of Management and Budget (OMB) Circular A-102 requirements related to disbursing federal grant funds in a timely manner, inventorying physical equipment, and conducting audits. To ensure that states have taken any necessary steps to bring their programs into compliance, the Director, OSMRE, should follow up on their compliance as part of Interior's annual oversight evaluations.

Status: Action in process. Estimated completion date: 09/88. OSMRE is strengthening its compliance by: (1) preparing and including an evaluation of states' compliance with OMB Circular A-102 during fiscal year 1988; (2) airing its evaluation of OSMRE field components monitoring of states' adherence to the circular; and (3) requesting OIG to conduct internal control reviews on grantee management systems.

Recommendation: To correct remaining weaknesses in state management of abandoned mine lands projects and OSMRE oversight of that management, the Secretary of the Interior should require the Director, OSMRE, to: (1) direct those states, like Kentucky, that do not comply with federal procurement standards, to bring their programs into compliance; (2) direct the states to provide all information required by federal performance reporting standards in the states' semiannual reports on specific projects to OSMRE; and (3) strongly encourage those states not documenting the results of post-construction inspections to begin doing so.

Status: Action in process. Estimated completion date: 09/88. State compliance with federal procurement requirements will be emphasized through the state annual evaluation process. OSMRE will direct states to provide all information required by federal performance reporting standards in the states' semiannual reports. OSMRE will refine and standardize its methods of obtaining documentation of post-construction inspections information from the states.

Conservation and Land Management

Surface Mining: State and Federal Use of Alternative Enforcement Techniques

RCED-87-160, 08/20/87

Background

Pursuant to a congressional request, GAO reviewed state and federal use of alternative enforcement techniques under the Surface Mining Control and Reclamation Act, focusing on: (1) whether states with primacy for mining regulation have statutory authority to use, and are using, the alternative techniques; (2) whether the Office of Surface Mining Reclamation and Enforcement (OSMRE) uses such techniques in states where it has primacy; and (3) the extent to which OSMRE monitors state use of alternative techniques.

Findings

GAO found that: (1) all of the primacy states it reviewed had statutory authority to use alternative techniques, including injunctions, civil penalties, criminal charges, or mining permit actions, but none of the states developed systems to ensure that they were appropriately using all of the alternative techniques; (2) of the available techniques, states most often chose to revoke or suspend mining permits; (3) 13 states established specific deadlines for initiating alternative enforcement action in the absence of abatement; (4) OSMRE most often attempts to obtain injunctive relief against uncooperative mine operators; and (5) initial OSMRE reviews generally focused on states' authority to use alternative techniques but, in 1987, OSMRE directed its field offices to assess how states were implementing alternative techniques.

Open Recommendations to Agencies

Recommendation: In order to improve the act's enforcement, the Secretary of the Interior should require the Director, OSMRE, to require states to develop systems necessary to ensure that alternative enforcement techniques are appropriately used. Such systems should allow for the use of regulatory judgment, but should include written policies and procedures to guide regulators' actions on such matters as when, and under what conditions, alternative techniques would be used.

Status: Action in process. As OSMRE takes steps to establish additional rules related to alternative enforcement, such as the pending individual civil penalty rule, states will be required to amend their programs to meet federal standards. This process requires states to submit adequate documentation of program authority, policies, procedures, and systems for approval by OSMRE.

Conservation and Land Management

Mineral Revenues: Coal Lease Readjustment Problems Remedied but Not All Revenue Is Collected

RCED-87-164, 08/25/87

Background

In response to a congressional request, GAO provided information on: (1) the Department of the Interior's Bureau of Land Management's (BLM) progress in readjusting federal coal leases scheduled for readjustment through September 30, 1986; (2) the adequacy of BLM collection of royalties and rent resulting from the required readjustments; and (3) the adequacy of the bonds it required from lessees to protect the federal government against the loss of revenue that accrued while lessees appealed readjustments.

Findings

GAO found that: (1) between 1976 and 1984, BLM failed to readjust 149 federal coal leases by their lease anniversary dates and, as a result, lost an estimated $187 million in royalty and rent payments; (2) BLM appears to have corrected the problem, since from 1985 through the end of fiscal year 1986, BLM readjusted all but one federal coal lease on time; (3) as of September 30, 1986, the Minerals Management Service (MMS) had not collected over $12.6 million in royalties and rent in five states because of inadequate financial management controls; and (4) BLM frequently failed to protect the government's financial interest by not requiring bond amounts that were adequate to cover the revenues that accrued while lessees appealed the readjustments.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should instruct the Director, BLM, to incorporate in the BLM coal lease readjustment procedures a list of specific lease readjustment documents that state offices should provide to MMS.
Status: Action not yet initiated. Interior has not yet commented on the report; however, it indicated that it intends to take action on this recommendation.

Recommendation: The Secretary of the Interior should instruct the Director, BLM, to establish a system to consistently provide lease readjustment documents from state offices and other lease documents to MMS.
Status: Action not yet initiated. Interior has not yet commented on the report; however, it indicated that it intends to take action on this recommendation.

Recommendation: The Secretary of the Interior should instruct the Director, BLM, to ensure that BLM continues to develop and issue a regulation requiring lessees to pay the readjusted rates while a lease is under appeal with the Interior Board of Land Appeals (IBLA).
Status: Action not yet initiated. Interior has not yet commented on the report; however, it indicated that it intends to take action on this recommendation. Draft regulations are still in the review process within Interior.

Recommendation: The Secretary of the Interior should instruct the Director, MMS, to ensure that the MMS financial management system identifies the nonpayment or underpayment of rent.
Status: Action not yet initiated. Interior has not yet commented on the report; however, it indicated that it intends to take action on this recommendation.

Recommendation: Pending the issuance of a regulation requiring lessees to pay the readjustment rates while a lease is under appeal with IBLA, the Director, BLM, should notify BLM state and district office staff and MMS officials that the term appeal, in current BLM regulations, refers to the IBLA appeal.
Status: Action not yet initiated. Interior has not yet commented on the report; however, it indicated that it intends to take action on this recommendation.

Other Natural Resources

The Foreign Fishing Observer Program: Management Improvements Needed

RCED-85-110, 08/12/85

Background

Pursuant to a congressional request, GAO reviewed the National Oceanic and Atmospheric Administration's (NOAA) management of the Foreign Fishing Observer Program, including: (1) the process the National Marine Fisheries Service (NMFS) follows to develop program costs for budgeting and billing purposes; (2) the issue of health and safety conditions on foreign fishing vessels; (3) the use of observer-generated information; and (4) the use of contract observers in the Northwest and Alaska program.

Findings

GAO noted that NMFS has followed an advance estimated billing process, based on the anticipated level of foreign fishing, planned level of observer coverage, and established cost factors, which has restricted NMFS from pursuing its planned level of observer coverage until sufficient funds have been collected and become available for obligation. GAO found that: (1) with a sufficient amount of working capital, NMFS could pursue its planned program level and implement a billing system based on actual costs; (2) sanctions should be established for foreign fishing vessels considered inadequate for the placement of an observer; (3) there was a need for health and safety standards to judge the adequacy of foreign fishing vessels; and (4) NMFS considered information obtained by observers on foreigners' compliance with fishing laws and regulations valuable to ensure that all information needs were being met. GAO also found that: (1) adjustments to the training program curriculum could be made by adopting a standard training curriculum and instructional procedures for those elements of biological data that NMFS believes should be presented to all observers; and (2) NMFS used contract observers in the Northwest and Alaska regional program rather than federal employees because agency personnel ceilings would not permit hiring enough federal employees.

Open Recommendations to Agencies

Recommendation: The Secretary of Commerce should request legislative authority to: (1) provide sufficient working capital to capitalize the Foreign Fishing Observer Fund; (2) to permit NMFS to pursue a full-coverage program from the beginning of each fiscal year; and (3) use a billing system based on actual costs.

Status: Recommendation valid/action not intended. Commerce drafted and sent legislation to the 99th Congress; however, no action was taken. Commerce presently has no plans to resubmit the proposal in the 100th Congress. This recommendation remains valid as the program will continue to be impeded until proper capitalization is provided.

Recommendation: If the Observer Fund is provided working capital, the Administrator, NOAA, should: (1) implement a billing system based on actual costs; and (2) develop an information package on the billing process and procedures that would be responsive to most of the questions raised by the foreign fishing interests about their observer fee bills and program costs.

Status: Action taken not fully responsive. Commerce stated that, if the Observer Fund is capitalized, it would implement a billing system based on actual cost and develop a billing system information package for foreign fishers. As noted in the capitalization recommendation, Commerce has no plans to resubmit its legislative proposal to capitalize the fund in the 100th Congress.

Other Natural Resources

Mineral Revenues: Delays in Processing and Disbursing Onshore Oil and Gas Bid Revenues

RCED-86-69, 03/24/86

Background

GAO reviewed the Department of the Interior's procedures for: (1) depositing and processing bid revenues from offshore and onshore competitive oil and gas lease sales; and (2) disbursing onshore bid revenues to the states.

Findings

GAO found that Interior's procedures and guidelines for depositing and processing offshore bid revenues were adequate, but the procedures for depositing, processing, and disbursing onshore bid revenues could be more timely. More timely receipt and deposit of onshore bid revenues, in compliance with Department of the Treasury and Interior instructions, would make these funds available to the federal government sooner, thereby decreasing the need for the Treasury to borrow money and incur interest. Interior could also save the Treasury interest costs by streamlining its procedures for notifying winning bidders of bid acceptance and for requiring final bid payment from onshore bidders. GAO estimated that timely deposits of these funds and streamlined procedures could have saved the Treasury about $152,000 for the 55 parcels it reviewed. GAO also found that Interior's procedures for disbursing states' shares of onshore bid revenues could be more timely. Timely deposit and payment of onshore bid revenues to the states could become more important because Congress is considering actions to increase acreage offered for competitive leasing.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should direct the Director, BLM, to establish a shorter time frame for winning bidders to submit their four-fifths balances.

Status: Action in process. In a proposed rulemaking in the June 12, 1987 Federal Register, BLM proposed reducing the current 30-day period for remittance of the four-fifths bonus bids and first-year rentals to 15 calendar days. BLM is now preparing a final rulemaking. The process is expected to be concluded in late 1988.

Other Natural Resources

Interior Has Not Solved Indian Oil and Gas Royalty Payment Problems

IMTEC-86-13, 03/31/86

Background

In response to a congressional request, GAO examined the Department of the Interior's initiatives to ensure the timely and accurate collection and distribution of Indian oil and gas royalties, specifically Interior's efforts to: (1) provide useful royalty payment explanations to individual Indians; (2) resolve royalty overpayments; and (3) ensure that Indian leases are included in its exception processing system. GAO also evaluated the possibility of using the Mineral Management Service's (MMS) new computer to help solve royalty payment problems.

Findings

The Oil and Gas Royalty Management Act requires Interior to provide Indian royalty owners with explanations of their royalty payments. The Bureau of Indian Affairs (BIA) developed an automated system to provide this information. However, GAO found that BIA was not in compliance with the act

because: (1) 18,000 of 27,000 Indian royalty owners were not receiving royalty payment explanations; (2) the payment statements did not include the royalty rate; (3) 40 percent of those who received royalty explanation statements found them difficult to understand because of their small print and technical language; and (4) BIA has not taken action to resolve about $450,000 in overpayments made prior to installation of the automated system. GAO also found that MMS: (1) has made progress in ensuring that Indian leases are included in its exception processing system; (2) identification of late payments could result in an additional $375,000 in annual revenue to Indians; (3) has not implemented procedures for identifying other payment exceptions and for collecting an estimated $2.3 million in backlogged Indian royalty revenues; (4) has proposed a new computer system for its royalty management program, but the system will not resolve Interior's problems in information dissemination, royalty overpayments, and exception processing; and (5) will modify its system to generate royalty rate information and to reduce the number of adjustments and overpayments.

Open Recommendations to Agencies

Recommendation: To ensure that Interior complies with section 105 of the Federal Oil and Gas Royalty Management Act of 1982, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to promptly implement the Royalty Distribution and Reporting System throughout BIA.
Status: Action in process. BIA recently implemented the system in the Navajo area; however, its effort to implement the system at the remaining areas is not on schedule.

Recommendation: To ensure that Interior complies with section 105 of the Federal Oil and Gas Royalty Management Act of 1982, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to redesign the royalty payment statement provided to allottees to make it easier for them to understand and use.
Status: Action in process. Interior concurred with this recommendation and is working to develop an approach for redesigning the statement provided allottees to make it easier to understand.

Recommendation: The Secretary of the Interior should require the Assistant Secretary for Indian Affairs to promptly resolve, by collection, offset, or write-off, the $450,000 in overpayments resulting from not properly accounting for negative royalties in the Anadarko area.
Status: Action in process. Interior is in the process of evaluating the cost and benefit of recovering the $450,000.

Recommendation: After the Auditing and Financial System becomes operational on the new MMS computer, the Secretary of the Interior should require the Director, MMS, to assess the feasibility of expanding the MMS exception processing system to include other exception types, as well as those currently being performed.
Status: Action in process. Interior is evaluating the feasibility of implementing this recommendation.

Other Natural Resources

Deactivating Research Vessels: National Oceanic and Atmospheric Administration's Use of Private Ships

RCED-86-133, 06/11/86

Background

Pursuant to a congressional request, GAO reviewed the National Oceanographic and Atmospheric Administration's (NOAA) proposal to deactivate a number of its marine research vessels and increase the use of private sector vessels.

Findings

GAO found that: (1) in fiscal year (FY) 1985, NOAA operated 22 ocean-going research vessels to support its fisheries, oceanographic, and hydrographic programs; (2) NOAA programs and projects have averaged 4,872 days at sea annually over the last 3 years; (3) private sector vessels accounted for about 16 percent of NOAA days at sea during that period; and (4) NOAA wants to deactivate half of its fleet, which could save up to $11 million of its annual $61 million fleet support costs. GAO also found that: (1) NOAA officials at different research centers had differing views on the desirability, safety, and cost-effectiveness of

increasing private sector fleet support; (2) while some NOAA officials believe that chartering private sector vessels would be advantageous because they are more modern, more readily available, and manned by more experienced crews, other officials believe that NOAA vessels are safer and more readily available; (3) NOAA vessels' daily costs range from $1,000 to $22,000, compared to $465 to $4,955 for private sector ships, but it noted that the comparison may be geographically skewed because one NOAA research center charters most of the NOAA private sector fleet support; and (4) costs for NOAA vessels also tend to be higher because it owns larger, more expensive multi-purpose vessels, whereas most of its charter vessels are smaller, single-purpose vessels, such as fishing boats.

Open Recommendations to Agencies

Recommendation: Before deactivating a significant portion of the NOAA fleet, the Administrator, NOAA, should develop more definitive information on the merits of such an action. Although a number of options may be available, one option is for NOAA to gradually increase the use of private vessels so it can obtain the additional experience and data needed to justify the deactivation proposal.

Status: Action in process. Estimated completion date: 03/88. On August 29, 1986, NOAA requested assistance from the National Research Council to help it develop more definitive information to assess the use of charter vessels versus NOAA vessels. The Council agreed to assist NOAA and initiate a study in January 1987 that will provide NOAA with a methodology for employment of NOAA or private vessels. The current target date for a report is March 1988.

Other Natural Resources

Mining Violations: Interior Needs Management Control Over Automation Effort

IMTEC-86-27, 07/28/86

Background

In response to a congressional request, GAO reviewed various aspects of the Department of Interior's effort to revise its automated Collection Management Information System.

Findings

GAO found that: (1) Interior did not adequately justify its rationale for revising the system; (2) the contract to revise the system was not subject to federal procurement regulations because Interior awarded it under the Small Business Act; (3) in evaluating contractor proposals, Interior did not document the evaluation's results and the selection process it used; (4) its quality assurance test was not statistically valid; and (5) as of June 20, 1986, it had not finalized its approach for ensuring data accuracy and providing trained staff to update and maintain the data. GAO could not determine the system's ability to track cases and generate reports because the revised system was not operational and Interior had not finalized documentation on its design.

Open Recommendations to Agencies

Recommendation: To ensure that appropriate management controls are established over the effort to develop and implement a Collection Management Information System, the Secretary of the Interior should not provide further funding for the contract to revise the system until the Office of Surface Mining (OSM) has prepared a requirements analysis, a software conversion study, a work-load estimate, and an economic cost analysis that conform to the requirements in its Departmental Manual.

Status: Action not yet initiated. Interior cannot provide a response at this time because OSM has not submitted the report to the department audit coordinator.

Recommendation: The Secretary of the Interior should also direct the Director, OSM, to: (1) conduct another quality assurance test using statistically valid random sampling techniques; (2) develop a statistically valid methodology for use in conducting monthly quality assurance tests on a sample of the data base cases; and (3) develop within OSM the capability needed to successfully develop and operate the collection system.

Status: Action in process. A software program is in place and being implemented to detect input errors and make sure all edits are occurring. The

Mitre Corporation developed and structured two statistically valid random samples from the entire Collection Management Information System. A new system will be developed in the future to handle this function.

Recommendation: In view of the possibility that review requirements are not being followed for other procurements under $10 million, the Secretary of the Interior should direct the Director, Office of Information Resources Management, to establish management controls over the acquisition of computer services under $10 million to ensure that such acquisitions are justified and properly managed.

Status: Action not yet initiated. Interior cannot provide a response to this recommendation at this time because OSM has not submitted the report to the department audit coordinator.

Pollution Control and Abatement

DOD Can Make Further Progress in Controlling Pollution From Its Sewage Treatment Plants

NSIAD-84-5, 02/03/84

Background

GAO evaluated Department of Defense (DOD) efforts to control pollution from its sewage treatment plant operations and attempted to determine whether DOD plants are meeting Environmental Protection Agency (EPA) discharge permit requirements.

Findings

GAO found that, while DOD has made great efforts to improve its sewage treatment plants, these efforts have not been fully successful because: (1) the services have not always selected the most cost-effective treatment methods available; and (2) plant upgrades and modifications often have serious design and construction flaws that reduce plant efficiency. Major upgrades have occurred in the last 10 years at 11 of the 13 plants visited by GAO, but many of the upgraded plants are not meeting the sewage treatment levels expected because of design deficiencies. In addition, 11 of the 13 plants had been unable to consistently meet National Pollution Discharge Elimination System permit requirements. GAO identified problems leading to noncompliance, including: (1) lack of specific guidance on how to ensure adequate operation, maintenance, and compliance; (2) lack of follow-up on problems found by DOD, EPA, and state environmental inspectors; (3) equipment deficiencies; (4) infiltration and inflow problems; and (5) deficient operation and maintenance practices.

Open Recommendations to Agencies

Recommendation: To guarantee that the most cost-effective sewage treatment methods are used, the Secretary of Defense should study the pilot test making one party responsible under contract for designing and constructing a treatment plant and for demonstrating, with plant operators, that the plant will meet discharge permit requirements before turning over the plant to the services for operation.

Status: Action in process. Estimated completion date: 10/88. The pilot test has been delayed until 1988.

Pollution Control and Abatement

Status of Civilian Federal Agencies' Efforts To Address Hazardous Waste Problems on Their Lands

RCED-84-188, 09/28/84

Background

Pursuant to a congressional request, GAO determined: (1) what actions have been taken by federal civilian agencies to comply with provisions of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), which require them to identify federal sites which potentially contain hazardous wastes; and (2) the status of ongoing and planned agency actions to assess and correct hazardous waste problems at federal sites.

Findings

GAO identified 16 federal agencies involved in hazardous waste activities. The agencies had identified 340 locations with potential hazardous waste problems. Some locations were identified in response to a CERCLA reporting requirement, although identification of sites was hampered because: (1) some agencies were unaware of the reporting requirement; (2) guidance issued by the Environmental Protection Agency (EPA) left agencies with broad discretion in meeting the requirement; and (3) there was no requirement for EPA to evaluate the adequacy of agency reporting actions. GAO found that about 30 percent of the 340 identified locations had not been assessed, but that for the remainder, some action had been taken. In 73 cases, EPA or the responsible agency determined that no further action was warranted. GAO also found that seven federal agencies have initiatives underway to identify hazardous waste sites. In addition, GAO found that an EPA inventory of potential hazardous waste sites is incomplete and contains errors, which could adversely affect a new EPA strategy for ensuring that agencies comply with CERCLA requirements.

Open Recommendations to Agencies

Recommendation: The Administrator, EPA, should instruct EPA regional offices on the importance and need for complete and accurate information on potential hazardous waste site locations on federal lands. The instructions should also require regional offices to update and correct the ERRIS data base to show which locations are on federal lands and clearly identify within the data base those locations on federal lands that have been shown to lack the potential for uncontrolled hazardous waste sites.

Status: Action in process. Estimated completion date: 04/88. EPA headquarters stressed to regions the importance of keeping ERRIS up to date. ERRIS and the Project Tracking System have been merged into a new system, called CERCLIS, which shows the complete range of site activities from discovery through final remedy. EPA and the federal agencies are updating the CERCLIS data base to show the current status of hazardous waste sites.

Recommendation: The Administrator, EPA, should require EPA regional offices to update and correct the ERRIS data base to show the current status of site assessment, evaluation, and corrective actions that have been taken at federal agency locations.

Status: Action in process. Estimated completion date: 04/88. EPA is developing a Federal Facilities Program Manual for implementing CERCLA responsibilities of federal agencies, which will be available to other agencies. Federal agencies will have to develop site response programs that produce products similar to those of EPA, and then communicate their progress and provide products to EPA for review and entry into CERCLIS.

Pollution Control and Abatement

EPA Could Benefit From Comprehensive Management Information on Superfund Enforcement Actions

RCED-85-3, 12/28/84

Background

Pursuant to a congressional request, GAO reviewed the extent of management information available to the Environmental Protection Agency (EPA) in carrying out its enforcement responsibilities under the Superfund program.

Findings

GAO found that, while EPA headquarters and regional offices have individual management information systems for tracking Superfund enforcement actions, there is no such system that covers the entire agency. Most such systems were developed in recent years, as the growing Superfund case load prompted program managers to develop systematic ways of tracking enforcement actions. Many EPA officials believe that, if the Superfund enforcement case load continues to increase as expected, an agencywide information system could enable program managers to better address comprehensive Superfund issues such as the length of the enforcement process, whether enforcement milestones are met, and resource allocation. However, EPA has not assessed the feasibility of implementing a comprehensive Superfund enforcement tracking system.

Open Recommendations to Agencies

Recommendation: In view of the growing enforcement work load, the Administrator, EPA, should assess the feasibility of developing and maintaining a comprehensive Superfund enforcement management information system and, if cost-effective, implement such a system. In making this assessment, the Administrator should consider the needs of EPA program managers and Congress.
Status: Action taken not fully responsive. As part of the EPA ongoing survey of Superfund enforcement, EPA will determine what action has been taken to implement this recommendation, and the need for additional action. A decision also will be made as to whether to continue follow-up. The next follow-up is scheduled in February 1988.

Pollution Control and Abatement

The Environmental Protection Agency Should Better Manage Its Use of Contractors

RCED-85-12, 01/04/85

Background

Pursuant to a congressional request, GAO discussed the Environmental Protection Agency's (EPA) use of contractors to support its programs.

Findings

GAO found that EPA has not: (1) monitored contractors' activities to ensure that performance remains cost-effective; or (2) performed reviews to ensure that contractor employees were not establishing policy or performing other types of work traditionally reserved for federal employees. About 88 percent of EPA contracts are cost-reimbursable, which provides EPA maximum flexibility in accomplishing program objectives, but offers limited incentive for the contractor to control costs. GAO believes that EPA is missing opportunities to control costs through the increased use of fixed-price contracts. GAO also noted that EPA,

contrary to its regulations, has directed contractors to perform work outside the scope of their contracts and to award sole-source subcontracts to firms selected by EPA.

Open Recommendations to Agencies

Recommendation: The Administrator, EPA, should, to increase the agency's efficiency in using contractors and federal employees to comply with Office of Management and Budget (OMB) Circular A-76, establish procedures for monitoring contracts for cost-effectiveness. If contracts are determined not to be cost-effective, EPA should follow OMB Circular A-76 guidelines and look for more efficient contracting opportunities and/or prepare a cost analysis to determine if it would be more appropriate to do the work in-house with government employees.
Status: Action in process. EPA has initiated a contracts management improvement program.

Recommendation: The Administrator, EPA, should take the necessary actions to increase the priority given to procurement operations. Among other things, this would include issuing directives which reinforce: (1) EPA and federal procurement regulations which require adequate procurement planning; (2) the need and rationale for soliciting competition and using opportunities for fixed-price contracts wherever possible; (3) the inappropriateness of directing contractors to perform work outside of their contracts' scope of work; and (4) the need to immediately stop any further directed, sole-source subcontracts.
Status: Action in process. EPA has initiated a contracts management improvement program.

Recommendation: The Administrator, EPA, should, to improve controls over the agency's contract management, require the Procurement and Contract Management Division to carry out its contract management responsibilities by having the contract officers become more involved with monitoring work assignments, as required by EPA and federal regulations. The Administrator should require contract officers not to approve individual work assignments unless the assignments are accompanied by: (1) a detailed statement of work showing specifics to be included in the final work product; and (2) a detailed cost estimate. If necessary, a compliance program should be established to ensure that contract officers meet this requirement. If resources are not available to carry out these responsibilities, the Administrator should determine the additional staff needs and provide this information to the appropriate congressional committees for their consideration.
Status: Action in process. EPA has initiated a contracts management improvement program.

Pollution Control and Abatement

Hazardous Waste Management at Tinker Air Force Base—Problems Noted, Improvements Needed

NSIAD-85-91, 07/19/85

Background

Pursuant to a congressional request, GAO reviewed hazardous waste management practices at Tinker Air Force Base (AFB), Oklahoma.

Findings

GAO found that: (1) the base has been selling, transferring, or disposing of hazardous wastes rather than recycling them, as required by Department of Defense (DOD) waste management policies; (2) an industrial waste treatment plant at the base was not being used to full capacity; (3) rather than repairing a damaged portion of the treatment plant that could handle certain chemicals, the base is using the Defense Property Disposal Service to dispose of them; (4) poor management of the plant has led to equipment problems, supply shortages, inadequate written policies, and improper collection, storage, and analysis of waste samples; (5) the base is not in compliance with regulations implementing the Resource Conservation and Recovery Act; (6) inadequate environmental monitoring on the base has caused the contamination of all of the major streams that flow across the base; and (7) the base has had problems with overcharges on hazardous waste disposal contracts.

Open Recommendations to Agencies

Recommendation: The Secretary of Defense should direct the Secretary of the Air Force to procure all of the equipment necessary to recycle and reuse hazardous waste and identify other recycling opportunities to reduce hazardous waste generation at Tinker AFB.
Status: Action in process. Estimated completion date: 04/88. The Air Force is pursuing various efforts, including waste segregation and recycling, to minimize the generation of hazardous waste. Some equipment is already in place creating savings. In addition, Tinker AFB has changed one of its cleaning processes which will reduce waste and create significant savings in the future.

Recommendation: The Secretary of Defense should direct the Secretary of the Air Force to change operational procedures at Tinker AFB to better segregate hazardous wastes to facilitate recycling or reuse.
Status: Action in process. Estimated completion date: 04/88. Efforts are underway to improve waste segregation, including providing better equipment, facilities, and training for those using or handling hazardous materials and waste. Tinker AFB expects to complete this effort by April 1988.

Recommendation: The Secretary of Defense should direct the Secretary of the Air Force to make better use of the industrial waste treatment plant at Tinker AFB to reduce the quantities of hazardous waste requiring disposal off base.
Status: Action in process. Estimated completion date: 04/88. DOD has undertaken a study of the plant's operation to determine how it can be best utilized, including treatment of additional quantities. Completion of the study and implementation of its recommendations is expected to be completed by April 1988.

Recommendation: The Secretary of Defense should direct the Secretary of the Air Force to improve monitoring of the disposal activities of hazardous waste disposal contractors at Tinker AFB.
Status: Action in process. Estimated completion date: 04/88. At the suggestion of GAO, Tinker AFB has recovered $50,000 from the contractor for overcharges. Increased emphasis has been initiated on contractor monitoring and a new system for quality control instituted. An additional $75,000 is under investigation by the Justice Department, and resolution of the outstanding claims should be complete by April 1988.

Pollution Control and Abatement

Air Pollution: EPA's Strategy To Control Emissions of Benzene and Gasoline Vapor

RCED-86-6, 12/18/85

Background

Pursuant to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) decision to regulate benzene emissions through controls on automobile refuelling.

Findings

GAO noted that: (1) EPA based its decision to control benzene emissions on risk assessments that evaluated the relationship between benzene exposure and the potential occurrence of leukemia; (2) the health, emission, population, and modeling data EPA used were based on assumptions; (3) EPA did not consider three relevant health studies completed between 1981 and 1983 because it believed that the studies would not significantly change its benzene health assessment; (4) EPA emission data showed that three plants were using benzene to manufacture a product used in making plastics and chemicals, but only one plant was actually using benzene at the time EPA issued its final decision; and (5) EPA updated some information that changed its estimate of risk to the public, but was not significant enough to change its 1983 decision. GAO found that: (1) as of October 1985, EPA did not have written guidance detailing how quantitative risk assessment values are developed for hazardous air pollutants; (2) EPA plans to control automobile refuelling emissions will be based on a decision as to whether nationwide or local controls should be implemented; (3) California and the District of Columbia have implemented controls on gasoline pumps in the absence of EPA regulations for controlling refuelling vapor; (4) if the risk from gasoline vapor and/or benzene

is not significant, EPA could require controls only in those areas not in compliance with EPA ozone standards; and (5) more than 2 years will be required for implementing the automobile refuelling control options.

Open Recommendations to Agencies

Recommendation: To improve EPA cost-effectiveness analysis used to help determine the best alternative for controlling automobile refueling vapor emissions, the Administrator, EPA, should direct that range values be provided to reflect the various uncertainties inherent in its cost-effectiveness analysis.

Status: Action in process. EPA issued proposed regulations for emissions control in September 1987. The proposed regulations provide some ranges. but were not detailed enough from the GAO point of view. EPA plans to issue its final rule for emissions control by mid-1988. GAO will determine at that time how well EPA complied with this recommendation.

Pollution Control and Abatement

Hazardous Waste: Environmental Safeguards Jeopardized When Facilities Cease Operating

RCED-86-77, 02/11/86

Background

Pursuant to a congressional request, GAO determined the extent to which: (1) owners and operators of hazardous waste facilities have declared bankruptcy and thereby avoided paying closure and post-closure costs for their facilities; (2) financial assistance requirements ensure that sufficient funds will be available to close and provide post-closure care at these facilities; (3) facilities that cease operations are inspected for compliance with closure requirements; and (4) the Environmental Protection Agency (EPA) and states are taking enforcement action for violations of those requirements.

Findings

GAO found that: (1) according to state and territorial officials, 74 hazardous waste facilities have filed for bankruptcy; (2) while bankruptcy law provides for the enforcement of environmental regulations over creditor claims, various courts have given EPA and state environmental interests equal status with other unsecured creditors, thereby hindering efforts to force responsible parties to properly close their facilities; (3) in cases it reviewed, courts restricted EPA or state efforts to obtain proper closures in three cases; (4) it could not assess the adequacy of new EPA and state financial assurance requirements that are designed to ensure that hazardous waste firms are strong enough to pay closure and post-closure costs; and (5) it is difficult for states to assess the financial condition of interstate hazardous waste facility operators. GAO also found that: (1) about 37 percent of the facilities that EPA inspected either during or after closure violated EPA regulations; (2) only 46 percent of the operators in states it reviewed had submitted financial assurance documents; (3) 34 percent of the financial assurance statements submitted were deficient; and (4) in many cases, EPA did not take adequate enforcement actions against operators committing financial assurance or closure violations.

Open Recommendations to Agencies

Recommendation: The Administrator, EPA, should monitor and periodically reevaluate hazardous waste facility closures and the implementation of corrective action activities to ensure that the trust fund and the financial test are providing adequate assurance that funds will be available.
Status: Action not yet initiated. EPA agreed that a periodic reevaluation should be performed to determine the validity of the financial test and trust fund. This reevaluation is scheduled for fiscal year (FY) 1988 and will be based on a representative sample of facilities. However, EPA does not agree that continuous monitoring is necessary once validation has occurred.

Recommendation: The Administrator, EPA, should develop and implement a system for providing a centralized review of all multi-state financial tests.
Status: Action not yet initiated. EPA supports the general thrust of this

recommendation, which is to ensure that the review of financial tests recognizes that companies may have facilities in more that one state. In FY 1988, EPA plans to review the adequacy of its policy/guidance on financial tests regarding multistate companies.

Pollution Control and Abatement

Nonagricultural Pesticides: Risks and Regulation

RCED-86-97, 04/18/86

Background

In response to congressional requests, GAO reported on the Environmental Protection Agency's (EPA) efforts to determine the: (1) risks associated with the use of nonagricultural pesticides; (2) extent of public information concerning such risks; and (3) requirements for professional pesticide applicators to protect the public from misuse.

Findings

The chronic health risks associated with nonagricultural pesticides are uncertain, in part, because EPA has not reassessed them in accordance with current standards. GAO found that EPA: (1) as of September 30, 1985, had done preliminary assessments on 18 of the 50 chemicals and found that, for 17, it did not have enough chronic toxicity data to complete the assessments; and (2) does not plan to require chronic toxicity testing of all nonagricultural chemicals because it believes that exposure to some pesticides is not significant enough to cause chronic effects in humans, regardless of their toxicity.
Environmental groups believe that pesticide labels should state that chronic health risks have not been fully assessed, so that the public can make better choices about pesticide use. However, industry representatives oppose public disclosure because they fear adverse effects on the industry. The Insecticide, Fungicide, and Rodenticide Act authorizes EPA to take enforcement action against pesticide manufacturers' claims that pesticides are safe, but EPA has taken few such actions. The Federal Trade Commission (FTC), under its authorizing legislation, can act against distributor and applicator claims, but FTC believes that EPA is better able to handle such claims, because of its expertise and specific legislative authority.

Open Recommendations to Congress

Recommendation: Because it may be several decades before EPA assesses the chronic health risks of nonagricultural pesticides, Congress may wish to consider whether pesticide labels should state that EPA has not assessed the pesticides' chronic health risks in accordance with current standards.
Status: Action not yet initiated.

Recommendation: Congress may wish to consider whether: (1) the public should be notified when public places are treated with pesticides; and (2) the federal government should have a role in ensuring that the public is notified.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: If the Administrator, EPA, does not have the resources to act against unacceptable safety claims by pesticide distributors, he should inform Congress, so it can decide whether to authorize additional resources, or grant EPA relief from this enforcement responsibility.
Status: Recommendation valid/action not intended. EPA stated that it will not devote resources to search for violations, but it will act against violators when it learns of violations.

Recommendation: The Administrator, EPA, should seek an arrangement between EPA and FTC for controlling unacceptable safety claims by professional pesticide applicators. If additional resources are needed, Congress should be so informed.
Status: Action taken not fully responsive. EPA met with FTC on this issue, but no agreement was reached.

Recommendation: The Administrator, EPA should: (1) encourage states that do not have unrestricted pesticide applicator control programs to institute such programs; and (2) develop a model pesticide applicator control program for voluntary use by the states.
Status: Action taken not fully responsive. EPA stated it will continue to encourage states to implement training and other programs to upgrade the competency of all pesticide users. EPA does not plan to develop a model pesticide applicator control program for use by states.

Pollution Control and Abatement

Pesticides: EPA's Formidable Task To Assess and Regulate Their Risks

RCED-86-125, 04/18/86

Background

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) assessment and regulation process for the health and environmental effects of pesticides.

Findings

GAO noted that EPA: (1) has not received test and evaluation data on the adverse health and environmental effects of most of the currently registered pesticide products; (2) may conduct a special review to determine the risks and benefits of potentially hazardous pesticides to decide if regulatory action to cancel or restrict the pesticides is needed; and (3) is responsible for determining the maximum amount of pesticide residue that can be safely left in foods, the risks of the inert ingredients that propel, dilute, or stabilize the active ingredients, and the cancer-causing potential of pesticides. GAO found that EPA: (1) will continue its reassessment and reregistration efforts into the next century because of the magnitude and complexity of the tasks involved; (2) is implementing changes to speed up its special review process; (3) is experiencing difficulty in obtaining test data on the effects of some inert ingredients; and (4) has encountered legal inconsistencies with respect to the allowable uses of cancer-causing pesticides in variable situations.

Open Recommendations to Congress

Recommendation: Congress may wish to consider the advantages and disadvantages of alternatives for accelerating reregistration. Among some possible alternatives, Congress may wish to consider: (1) shifting the burden to industry to identify and submit data missing from EPA files or no longer valid or adequate by contemporary scientific standards; (2) setting reasonable deadlines for the generation and review of health and environmental tests for older pesticides on the market; and (3) providing EPA with additional resources to expedite the pace of reassessing older pesticides and reviewing the volume of industry-submitted health and environmental studies that EPA expects to receive in the coming years as a result of its efforts to call in needed data. User fees under consideration by EPA might be one method of funding the additional resources.
Status: Action in process.

Recommendation: Congress may wish to consider the advantages and disadvantages of the following alternatives for regulating carcinogenic food-use pesticides: (1) amending the Federal Food, Drug and Cosmetic Act (FFDCA) and the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) to prohibit the setting of tolerances and all food uses of carcinogenic pesticides, in raw agricultural commodities and as food and feed additives, to require EPA to revoke the existing tolerances for carcinogenic pesticide residues, and to cancel the pesticide registration of these uses; and (2) amending FFDCA to lift the Delaney Clause's ban on carcinogens as it relates to pesticides, and instead specify that either a risk-benefit or minimal-risk approach be used for setting tolerances for all food uses of carcinogenic pesticides.
Status: Action in process.

Recommendation: Congress may wish to consider the following alternatives to ensure that EPA continues efforts to carry out its proposals to tighten up conditioned registrations of new pesticides: (1) requiring EPA, in its FIFRA-mandated annual report to Congress, to include information on the status of registrants' compliance with the conditions imposed for each of the conditional registrations of new pesticides granted during preceding years; and (2) amending FIFRA to limit conditional registrations of new pesticide active ingredients without complete testing by defining "in the public interest" in a restrictive or limited manner.
Status: Action in process.

Recommendation: Congress may wish to consider the advantages and disadvantages of the following alternatives for accelerating the special review process: (1) providing EPA with additional resources to allow it to more quickly review studies and data related to on going special reviews, and to meet future increases in the special review work load anticipated by EPA; and (2)

setting deadlines for completion of special reviews, or for some or all of the special review phases, which recognize the complexities of special reviews, and the resource requirements necessary to meet such deadlines. The first alternative should be considered in conjunction with the other GAO suggestion on resources for accelerating pesticide reregistration.
Status: Action in process.

Open Recommendations to Agencies

Recommendation: The Administrator, EPA, should cancel registrations of those products whose labels are not in compliance with registration standard requirements. Should the Administrator determine that statutory authority is needed to more efficiently implement label requirements, the Administrator should develop and submit to Congress the appropriate legislative language to achieve this objective.
Status: Action in process. Estimated completion date: 12/87. EPA is cancelling two product registrations because registrants did not comply with registration standard requirements. EPA would like additional explicit authority to simplify his action. House and Senate Agriculture Committees are considering amendments to the pesticide law that address this recommendation.

Recommendation: The Administrator, EPA, should conduct a pilot test to determine whether registrants can successfully review existing data to identify and replace inadequate or invalid studies and the EPA ability to successfully oversee registrant data submissions. Further, the Administrator should consider the results of the pilot study in determining whether and how to accelerate reregistration by further shifting the burden to industry to fill gaps in tests on existing pesticides.
Status: Action in process. Estimated completion date: 02/88. EPA drafted a plan to accelerate the reregistration of pesticides that would shift the burden of critiquing existing studies and identifying missing studies to registrants. The plan includes a pilot test to enable EPA to evaluate the acceleration process. EPA did not implement the plan in FY 1987 because of budget limitations and conflicting program requirements.

Recommendation: The Administrator, EPA, should develop and publish a policy concerning tolerance setting for carcinogenic pesticides, including criteria on how it decides whether to grant or deny such tolerances, and allow for public comment.
Status: Action in process. Estimated completion date: 12/87. EPA is developing proposed regulations governing the establishment, amendment, and repeal of pesticide food tolerances. EPA is also preparing an action plan to respond to the May 20, 1987, NAS report on the Delaney Clause, which found that a uniform negligible risk standard could eliminate almost all of the potential dietary cancer risks posed by pesticide residues in food.

Recommendation: The Administrator, EPA, should examine means to more readily obtain health and environmental effects test data on inerts. This should include examining an easing of the FIFRA confidentiality provision and requesting from Congress any such additional authority needed to achieve this objective. This action may facilitate sharing the cost of generating data among pesticide registrants of inerts, while also providing some degree of continued protection of trade secrets of pesticide formulations.
Status: Action in process. Estimated completion date: 12/87. On April 22, 1987, EPA issued, and is implementing, a policy statement for regulating inert ingredients. Congress is considering amendments to the pesticide law to clarify EPA authority to require the testing of inerts, and simplify the process for listing potentially hazardous inerts on labels. EPA is initiating a process to facilitate sharing confidential data among registrants of inerts.

Recommendation: The Administrator, EPA, should: (1) review outstanding conditional registrations of new pesticide active ingredients; (2) determine what progress is being made by registrants to develop and submit the required health and environmental effects test data; and (3) take appropriate action, such as suspending or cancelling the pesticide registration, in those cases where the registrant has not made reasonable progress to comply with the conditions imposed on the conditional registrations.
Status: Action in process. Estimated completion date: 02/88. EPA is developing an automated data base for tracking outstanding data requirements for conditional registrations. EPA expects the system to be on line later in 1987. Beginning with its 1987 annual report to Congress, EPA will include information on the status of conditional registrations.

Pollution Control and Abatement

Air Pollution: Improvements Needed in Developing and Managing EPA's Air Quality Models

RCED-86-94, 04/22/86

Background

In response to a congressional request, GAO reported on the Environmental Protection Agency's (EPA) use of air quality models in carrying out the requirements of the Clean Air Act, specifically: (1) the accuracy, adequacy, and cost of the models; (2) the problems and limitations arising from uncertainties associated with the models; and (3) the appropriateness of an agreement between EPA and its contractor for developing a utility-sector air quality analysis model.

Findings

GAO noted that: (1) EPA is currently evaluating the accuracy of its air quality models and modifications to reduce the level of uncertainty; (2) EPA needs to develop more refined models to fully implement and monitor the air pollution programs under the act; (3) more refined models are more costly; and (4) EPA entered into a cooperative agreement, which does not require delivery of a product, rather than a contract, to obtain a utility-sector model. GAO found that: (1) EPA models overestimated pollutant concentrations, resulting in industry spending millions of dollars on unnecessary pollution control equipment, replacement fuel, and studies to justify increased emissions; (2) EPA does not have the number of models it needs to properly administer the act's requirements; (3) the costs of developing a model range from $50,000 to several million dollars; and (4) a new utility-sector analysis model that was approved for development in 1980, and was expected to be completed in 1983, has not yet been developed.

Open Recommendations to Agencies

Recommendation: The Administrator, EPA, should implement a policy that provides guidance on what procurement mechanism should be used in various situations. The guidance should include the stipulation, to the extent possible, that contracts, rather than cooperative agreements, be used to obtain new computer models.

Status: Action in process. The status of this recommendation is being addressed in a follow-on report to be issued in early 1988.

Pollution Control and Abatement

Hazardous Waste: Federal Civil Agencies Slow to Comply With Regulatory Requirements

RCED-86-76, 05/06/86

Background

Pursuant to a congressional request, GAO reported on 17 federal civilian agencies' implementation of Resource Conservation and Recovery Act (RCRA) provisions, specifically whether: (1) agencies are identifying and reporting their hazardous waste handlers to the Environmental Protection Agency (EPA) and the states; (2) EPA and the states are inspecting federal facilities to ensure that handlers are complying with RCRA requirements; (3) handlers are complying with RCRA regulations; and (4) enforcement actions are compelling agencies to correct problems.

Findings

GAO found that: (1) the agencies identified 247 waste handlers and were confident that they had identified the most significant waste handlers and reported them to EPA or the states; (2) several agencies estimated that numerous facilities need evaluation; (3)

agencies had inspected all of the major treatment, storage, and disposal handlers at least once; (4) many of the handlers had violated RCRA requirements; (5) over half of the facilities cited for violations were not in compliance with RCRA requirements 6 months to 3 years later due to limited agency knowledge of the requirements and lack of agency emphasis on RCRA; (6) in the past year, agencies have increased their emphasis on RCRA programs; and (7) EPA plans to expand its inspection coverage of hazardous waste handlers, provide federal agencies with more information on RCRA requirements, work closer with agencies on the program, and revise its compliance strategy to incorporate specific time frames for issuing compliance orders.

Open Recommendations to Agencies

Recommendation: The Administrator, EPA, should ensure that the federal agency environmental compliance strategy includes specific time frames for elevating unresolved problems to EPA headquarters, and is completed on schedule.

Status: Action in process. Estimated completion date: 02/88. The EPA Federal Facilities Compliance Strategy was delayed in order to incorporate Department of Justice comments. These comments were incorporated and the strategy is being finalized. The draft strategy includes the recommended time frames.

Pollution Control and Abatement

Hazardous Waste: Responsible Party Clean Up Efforts Require Improved Oversight

RCED-86-123, 05/06/86

Background

In response to a congressional request, GAO reviewed cleanup activities at priority hazardous waste sites, specifically: (1) the number, estimated value, and purpose of settlement agreements between the Environmental Protection Agency (EPA) and responsible parties; and (2) how well EPA is overseeing responsible-party compliance with the settlement terms.

Findings

GAO found that: (1) approximately half of the settlements were for long-term site cleanup activities, and cleanup work was valued at $417 million; (2) the purpose of the settlement agreements was to ensure that responsible parties either performed cleanup activities at hazardous waste sites or reimbursed the government for cleanup at the sites; and (3) no formal guidelines or procedures exist for project managers to oversee settlement activities and enforce decisions, causing delays in identifying and resolving problems.

Open Recommendations to Agencies

Recommendation: To adequately ensure that responsible parties comply with settlement conditions and cleanup goals, the Administrator, EPA, should strengthen the EPA settlement oversight function by providing project managers with: (1) guidance and procedures on work-load management, how to organize, prioritize, and perform duties and responsibilities, and how to use quality assurance reviews; and (2) procedures and standards for oversight recordkeeping and reporting, determining settlement noncompliance, and taking appropriate enforcement actions.

Status: Action in process. Estimated completion date: 04/88. EPA is taking steps to improve responsible party oversight. Site-by-site contractor support has been provided and new guidance is to be issued. A longer term effort has begun to develop: (1) a comprehensive oversight guidance manual by April 1988; and (2) a comprehensive management information system to monitor responsible party activities by the end of 1987.

Pollution Control and Abatement

Pesticides: Better Sampling and Enforcement Needed on Imported Food

RCED-86-219, 09/26/86

Background

Pursuant to a congressional request, GAO reviewed the Food and Drug Administration's (FDA) efforts to protect the public from exposure to illegal pesticide residues in imported food.

Findings

GAO found that: (1) the FDA pesticide monitoring program provides limited protection against public exposure to illegal residues in food; (2) FDA samples less than 1 percent of 1 million imported food shipments annually; (3) FDA inspectors at various ports of entry decide the extent to which they apply sample criteria; and (4) FDA uses five multi-residue tests that individually detect many pesticides on a single sample; however, FDA laboratories normally use only one method for each sample. GAO also found that: (1) although FDA policy requires importers to maintain all sampled shipments intact until FDA determines that the product is residue-free, FDA permits importers to release the majority of sampled shipments to U.S. markets before they spoil; (2) of 164 adulterated samples, 73 were not recovered before public consumption; and (3) there were only eight documented cases where FDA assessed importers damages when adulterated food reached the marketplace.

Open Recommendations to Agencies

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to: (1) redirect resources away from highly sampled commodities with low violation rates to provide coverage of a wide range of imported commodities and importing countries, using a comprehensive monitoring summary to assist in the analysis; and (2) improve monitoring of importers and commodities with histories of pesticide violations by continuing follow-up sampling and certification requirements through successive growing seasons.
Status: Action in process. FDA District Offices will be required to prepare annual import sampling plans, which will incorporate the changes GAO recommended. FDA plans to develop automated data on what is being imported into the United States, which will serve as the basis for measuring sampling coverage so that gaps can be identified and corrected. H.R. 3504 was introduced, requiring FDA to compile a comprehensive summary.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to assess the relative merits of the alternative means to obtain information on actual foreign pesticide use, including current legislative and regulatory authority, and: (1) require U.S. pesticide manufacturers who export pesticide chemicals to foreign countries to report the pesticides and quantities sold overseas; (2) require importers of food to certify which pesticides were used during production; and (3) develop cooperative agreements with foreign countries for the exchange of information on pesticide usage in food production.
Status: Action taken not fully responsive. FDA chose to dismiss the three options GAO identified in favor of buying pesticide use data from an unproven commercial data base. However, H.R. 3504 was introduced on October 19, 1987, requiring FDA to adopt the first GAO option.

Recommendation: As better information becomes available on foreign pesticide uses, the Secretary of Health and Human Services should direct the Commissioner, FDA, to test imported food for the pesticides used or suspected of being used on imported foods.
Status: Action taken not fully responsive. FDA will base its testing decisions on an unproven commercial data base of information on pesticide use in 30 countries on about 30 crops in each of those countries. The United States imports from about 150 countries.

Recommendation: The Secretary of Health and Human Services should direct the Commissioner, FDA, to recommend to Customs that liquidated damages be assessed for all shipments found to contain illegal pesticide residues if the shipment is not recovered. This assessment should apply whether the shipment was sampled under surveillance or compliance.

Status: Action in process. FDA plans to automate its tracking system and reexamine its current policies.

Recommendation: The Secretary of the Treasury should direct the Commissioner of Customs to assess and collect liquidated damages from importers in all cases when FDA determines that imported food has been adulterated with illegal pesticide residues and the food is not recovered.
Status: Action in process. Customs is automating its fines, penalties, and forfeiture activities to ensure that, when directed by FDA, damages will be assessed and collected. Customs is in the process of following up on uncollected damages.

Pollution Control and Abatement

Air Quality Standards: EPA's Standard Setting Process Should Be More Timely and Better Planned

RCED-87-23, 12/03/86

Background

In response to a congressional request, GAO reported on: (1) the current status and cost of the Environmental Protection Agency's (EPA) efforts to review and update its national air quality standards; and (2) EPA plans for addressing additional research needs.

Findings

GAO found that EPA: (1) had not met its congressional mandate for reviewing and updating its national air quality standards by 1980; (2) reviewed and updated only one of the standards by the end of 1980; (3) did not complete reviews for two other standards until 4 years after the 1980 deadline; and (4) expects to complete its review of the remaining three pollutant standards in 1989. GAO also found that factors contributing to EPA delays include: (1) the length of time it takes to perform internal and external reviews; (2) EPA managers waiting for the re-examination of existing science or publication of new studies; and (3) turnover of top EPA administrators. EPA believes it can overcome these obstacles by developing milestones to review and update standards. GAO noted that EPA: (1) was aware that questions exist about the scientific information supporting each of the six air pollutant standards; (2) has not systematically identified and matched these questions with planned and ongoing research projects for each pollutant; (3) has not kept records on the actual cost of reviewing and updating the national air quality standards; and (4) estimates that it has spent about $348 million on the standards since fiscal year 1978.

Open Recommendations to Agencies

Recommendation: In order to meet the timetable Congress established, the Administrator, EPA, should adhere to the milestones in the EPA 5-year schedule for reviewing and updating the standards. To meet the milestones, the Administrator will need to limit technical analyses and reviews in the standard-setting process to those provided for in the EPA 5-year planning schedule. EPA should do additional analyses and reviews during the next 5-year review cycle.
Status: Action taken not fully responsive. EPA expects possible solutions to the statutory 5-year time frame to be discussed at upcoming hearings on reauthorization of the Clean Air Act. As part of an upcoming job, GAO will evaluate EPA responses and status of actions taken.

Recommendation: The Administrator, EPA, should implement procedures to record costs to review and update each air quality standard.
Status: Action in process. EPA stated that it started implementing this recommendation with its recent national air quality standard reviews and would continue to search for ways to improve cost accounting. As part of an upcoming assignment, GAO will evaluate EPA responses and status of actions taken.

Recommendation: To assist EPA managers in setting national air quality standards, the Administrator, EPA, should implement a formal process for identifying and documenting research questions and matching these questions with planned and ongoing research for each of the six pollutants. Specifically, formal research plans should be prepared highlighting questions about health effects for each pollutant and the extent to which planned and ongoing research will address them. The

identification of research questions should be done by those EPA officials most knowledgeable of the science supporting each standard and should be done after identification and assessment of available scientific evidence is documented in the criteria documents and staff papers.
Status: Action in process. EPA stated that it started a formal planning process for one pollutant and would build upon the process for the other pollutants. As part of an upcoming assignment, GAO will evaluate EPA responses and status of actions taken.

Pollution Control and Abatement

Water Quality: An Evaluation Method for the Construction Grants Program—Methodology

PEMD-87-4A, 12/17/86

Background

GAO evaluated existing Environmental Protection Agency (EPA) data concerning the Construction Grants Program's effectiveness in upgrading sewage-treatment plants in order to develop guidelines to evaluate the upgrades.

Findings

GAO found that: (1) adequate stream data to assess the effect of treatment plant upgrades do not yet exist; and (2) using existing data would provide a more realistic estimate of the program's effectiveness than is now available. GAO developed a method which successfully answered essential evaluation questions with available data and software. GAO found that: (1) there were statistically significant post-upgrade decreases in the pollutants discharged from each plant that it examined and improvements in downstream water quality in three of the four cases; (2) for the most part, changes in plant discharge were moderately reflected in stream water quality; and (3) a correlation between changes in a plant's discharge levels and stream indicators does not mean that the plant's upgrade is the sole determinant of a change in water quality downstream.

Open Recommendations to Agencies

Recommendation: The Administrator, EPA, should perform additional evaluations of treatment plant upgrades that use available data and methods similar to those GAO developed. These evaluations should be intended to determine the feasibility of performing a broadly based and methodologically sound evaluation of the Construction Grants Program that makes optimal use of the data already in EPA possession and that identifies and remedies the gaps in its information systems. EPA should improve the reliability and usability of its water quality data base by ensuring the internal consistency of its data collection practices, updating its data on the geographical locations of plants and stations to reflect changes in them, and expanding its use of river mile indicators for monitoring stations and point sources.
Status: Action in process. EPA is examining the available data base and intends to use the methodology proposed.

Pollution Control and Abatement

Hazardous Waste: EPA Has Made Limited Progress in Determining the Wastes To Be Regulated

RCED-87-27, 12/23/86

Background

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) efforts to: (1) determine which wastes are hazardous; and (2) produce a biennial report on the types and amounts of hazardous wastes the United States generates, treats, stores, and disposes of nationwide.

Findings

GAO found that: (1) EPA has met some of the deadlines Congress set for considering additional characteristics and reviewing specific wastes; (2) changing approaches or strategies have hampered EPA identification efforts; (3) since large numbers of hazardous wastes remain unidentified, EPA is considering refocusing its approach to develop characteristics through testing and refining the already-listed hazardous wastes; (4) EPA has made limited progress in completing five congressionally mandated studies of large-volume wastes; (5) although Congress required EPA to use more stringent criteria when reviewing petitions to delist wastes, EPA does not have the required information to state authorized delistings; and (6) without proper controls, delisting can negate the efforts of the hazardous waste identification program by allowing facilities handling these wastes to escape regulation.

Open Recommendations to Agencies

Recommendation: To improve EPA progress in identifying hazardous wastes, the Administrator, EPA, should develop a plan laying out what actions will be necessary to identify the universe of wastes needing control. Such a plan should contain, as a minimum, the additional waste characteristics that need to be developed and the industry waste streams that need to be evaluated, milestones to accomplish these tasks, needed resources, and organizational responsibilities for completing these actions.
Status: Action in process. EPA is developing the recommended plan, and expects to complete action on the plan by the spring of 1988.

Recommendation: The Administrator, EPA, should determine which wastes have been granted final delistings by states and what criteria were applied to those delistings; assess the potential environmental or health impact of those delistings; and, where appropriate, initiate action to apply the new delisting criteria.
Status: Action taken not fully responsive. EPA has not addressed this recommendation to review past final delistings. With respect to future delistings, EPA stated that it is in the very early stages of evaluating options for monitoring state-delegated delisting activities.

Recommendation: The Administrator, EPA, should ensure that: (1) future state-delegated delisting activities are monitored and that information is collected that will allow EPA to identify facilities and wastes delisted; and (2) the review criteria applied are at least as stringent as those set by EPA and that they are applied consistently.
Status: Action not yet initiated. EPA has not commented on the report.

Recommendation: The Administrator, EPA, should increase the number of site visits or implement other controls to ensure that EPA has complete and accurate information when evaluating delisting petitions.
Status: Action not yet initiated. EPA has not commented on the report.

Pollution Control and Abatement

Water Pollution: Application of National Cleanup Standards to the Pulp and Paper Industry

RCED-87-52, 03/18/87

Background

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) national effluent standards limiting the types and amounts of pollutants that industries may discharge into the nation's water. GAO used the paper and pulp industry as an example to determine whether: (1) discharge permit limits were at least as stringent as the appropriate national standards required; and (2) the amount of pollutants in selected pulp and paper mills' effluent met the appropriate national standards.

Findings

GAO found that: (1) the vast majority of the 193 major effluent-discharging pulp and paper mills held permits whose limits were at least as stringent as national standards required; and (2) mills in five major pulp-and-paper-producing areas were generally discharging the two key nontoxic pollutants for the industry at levels in line with permit limits. However, GAO found problems with the way in which permitting authorities set limits because they could result in discharges of more pollutants than the national standards allowed, since: (1) mill production figures available in setting some permit limits did not include 5-year historical production figures; and (2) permit writers were not consistently applying more stringent new-source standards to some expansions of existing pulp and paper mills. GAO also found that the water pollution program changed in recent years because: (1) individual states became the driving force in setting clean up levels for the pulp and paper industry by setting permit levels and dealing with site-specific water pollution problems; and (2) the second-stage standards EPA set for nationwide application were no more stringent than the first-stage standards because EPA determined that the cost of meeting the more stringent standards was not reasonable for the pulp and paper industry.

Open Recommendations to Agencies

Recommendation: The Administrator, EPA, should implement EPA instructions by requiring permitting authorities to obtain and use 5-year historical-average production data when setting future pulp and paper mills' permit limits. Exceptions to this procedure should be documented and occur only when historic trends, market forces, or company plans indicate that a different level of production will prevail during the life of a permit.
Status: Action not yet initiated. EPA agreed with this recommendation, but it has not yet defined the actions it plans to take.

Recommendation: To promote the consistent application of new-source national standards to mill expansions, the Administrator, EPA, should develop instructions that set out specifically how permitting authorities are to determine if new-source standards should be applied to expansions of existing pulp and paper mills, such as linking new-source determinations to a specific percentage of production increases.
Status: Action in process. EPA plans to discuss this recommendation with its regional offices and determine whether national guidance is appropriate.

Pollution Control and Abatement

Air Pollution: States Assigned a Major Role in EPA's Air Toxics Strategy

RCED-87-76, 03/31/87

Background

In response to a congressional request, GAO examined the Environmental Protection Agency's (EPA) strategy to rely more on states to regulate toxic air pollutants, specifically: (1) the status of the strategy; (2) certain legal issues related to state regulation of pollutants; and (3) variances among state air toxics programs.

Findings

GAO noted that the EPA strategy of delegating its authority to set standards and regulations for toxic air pollutants and pollution sources raised concerns about legal issues, public health, and industry location implications. GAO found that: (1) the question of whether EPA has the discretion to delegate regulatory responsibility to states instead of issuing national standards is under litigation; (2) although EPA discontinued referring the regulation of toxic air pollutants to states, it continued to identify potential pollution sources in states and furnish them with studies for use in evaluation and regulation; (3) as of May 1968, 17 states had pollution control programs in place and 29 were developing programs; (4) since the state programs vary in terms of the pollutants and sources they regulate, their regulation strategies, and the methods they use to establish acceptable emission levels, then the levels of public exposure to toxic pollutants also vary; and (5) environmental regulation is generally not a significant factor in industry location decisions.

Open Recommendations to Congress

Recommendation: During the reauthorization of the Clean Air Act, Congress may wish to consider the consistency issue and the options available to address it. One option is to retain the status quo, that is, to continue to allow the states discretion in standard setting, compliance monitoring, and enforcement, but continue to provide financial and technical assistance to state air toxics programs. A second option would be for EPA to exercise more control over state air toxics programs.
Status: Recommendation valid/action not intended.

Pollution Control and Abatement

Toxic Substances: Abandonment of PCBs Demonstrates Need for Program Improvements

RCED-87-127, 05/20/87

Background

In response to a congressional request, GAO examined the circumstances that led a polychlorinated biphenyls (PCB) handling firm to abandon PCB at two sites, focusing particularly on the Environmental Protection Agency's (EPA) regulatory practices and enforcement efforts related to the abandonment.

Findings

GAO found that EPA: (1) has inadequate controls over PCB, particularly regarding headquarters oversight and guidance to regions; (2) lacks nationwide criteria for PCB disposal permits, since regional administrators are responsible for setting permit requirements without policy guidance from headquarters; (3) lacks adequate controls over PCB intermediate operators, which are potentially large handlers of PCB; and (4) lacks knowledge about the existence and operation of intermediate operators,

which limits its ability to monitor them as part of its PCB enforcement and compliance program. GAO also found that, after an EPA inspector raised concerns about the large amounts of PCB that the firm was holding in excess of the 1-year storage limit, EPA fined the firm but failed to pursue practical corrective actions. GAO believes that such actions could have prevented the firm's abandonment of PCB.

Open Recommendations to Agencies

Recommendation: To improve EPA identification and control over the safe handling and disposal of PCB, and to reduce the likelihood of other cases of PCB abandonment, the Administrator, EPA, should take appropriate actions to strengthen controls over PCB, including: (1) establishing specific nationwide criteria for PCB permits; (2) requiring intermediate operators to obtain an EPA license or PCB permit, and PCB generators/owners to allow only permitted firms to pick up PCB or PCB materials; and (3) emphasizing periodic inspections of all PCB handlers, especially focusing on the correction of PCB regulatory deficiencies as soon after inspection as possible.

Status: Action in process. On July 30, 1987, H.R. 3070 was introduced as a direct result of the GAO report. This bill calls for amending the Toxic Substances Control Act to require persons handling PCB to comply with manifest and financial responsibility criteria for permits and require intermediate operators to obtain EPA permit approval. EPA agreed to take actions to improve the program in the general areas recommended.

Pollution Control and Abatement

Surface Mining: States Not Assessing and Collecting Monetary Penalties

RCED-87-129, 06/05/87

Background

In response to a congressional request, GAO reviewed the performance of Kentucky, Indiana, and Colorado in assessing and collecting civil penalties against coal mining operators who violate environmental standards.

Findings

GAO found that: (1) of 201 violations it randomly selected for the period January through June 1985, the states determined that 18 violations never actually occurred; (2) of the remaining 183 violations, the states assessed a monetary penalty on 40 percent, used their discretionary authority to waive the penalty on 50 percent, and made no penalty determination on 10 percent; (3) of the violations with assessed values of less than $1,100, Indiana and Kentucky waived 88 and 63 percent, respectively, while Colorado did not waive penalties of any amount; (4) the states were lenient in considering violators' demonstrated good faith in abating the cited violation and prior violation histories; and (5) Kentucky did not always impose the mandatory penalty for each violation and improperly reduced or eliminated penalties during negotiations and hearings prior to issuing final orders. GAO also found that: (1) as of June 30, 1986, the states had not collected about $84.8 million of the $89.8 million in penalties they assessed; (2) Colorado collected 55 percent of assessed penalties, Indiana collected 7 percent, and Kentucky collected 5 percent; (3) none of the states have penalty collection systems that are consistent with established Internal Revenue Service (IRS) debt collection procedures; (4) Colorado lacks a system to track unpaid penalties; (5) Indiana initiates its collection effort promptly, but fails to take additional action if the violator fails to pay the penalty; and (6) Kentucky does not always initiate prompt action.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should require the Director, Office of Surface Mining Reclamation and Enforcement (OSMRE), to review state penalty collection systems as part of its annual oversight evaluations. In performing this review, OSMRE should require states to make available all records, files, and documents relating to all aspects of the penalty collection system or activity. The states should be required to develop and implement

written procedures that provide detailed instructions to facilitate debt collection using generally accepted debt collection practices, such as those followed by IRS.
Status: Action in process. OSMRE plans to review the Kentucky situation to determine whether access is needed to the collection file and take action accordingly. In addition, OSMRE offered assistance to states in a number of areas. OSMRE monitors the actions of states to collect penalties, to maintain the enforcement value of penalties, and encourage operator compliance. However, debt collection is left to the states.

Pollution Control and Abatement

Air Pollution: EPA's Efforts To Control Vehicle Refueling and Evaporative Emissions

RCED-87-151, 08/07/87

Background

In response to a congressional request, GAO examined the Environmental Protection Agency's (EPA) proposals to adequately control moto. vehicle refuelling and evaporative emissions, including the costs and benefits of alternative methods.

Findings

GAO found that: (1) EPA considered two alternatives to controlling refuelling emissions and determined that the onboard control method was superior; (2) the onboard control method requires motor vehicle manufacturers to equip vehicles with emission control systems; and (3) while onboard controls would cost an estimated $180 million per year and add about $19 to the average vehicle price, they would provide long-term emissions reductions and free consumers from the operation of any control equipment. GAO also found that: (1) by 1989, EPA plans to reduce hydrocarbon emissions by 6 percent by reducing the volatility of commercial gasoline during the summer months; (2) this plan would cost oil refineries an estimated $490 million annually and consumers about $20 per vehicle; and (3) while the motor vehicle industry favors lowering the volatility of commercial gasoline, the oil industry favors raising the volatility certification and modification of the evaporative emission control systems to handle higher gasoline volatility.

Open Recommendations to Agencies

Recommendation: The Administrator, EPA, should direct the Office of Air and Radiation to include in its refuelling and evaporative control analyses better documentation of the cost-effectiveness of alternative ozone control strategies, including support for its $2,000 benchmark standard.
Status: Action not yet initiated. EPA has not formally commented on the report, this recommendation, or its planned actions.

Recommendation: The Administrator, EPA, should direct the Office of Air and Radiation to include in its refuelling and evaporative control analyses a more explicit comparison of all the costs and benefits associated with the various refuelling and evaporative emission control strategies, including a more thorough analysis of the effects of key uncertainties.
Status: Action not yet initiated. EPA has not formally commented on the report, this recommendation, or its planned actions.

Pollution Control and Abatement

Hazardous Waste: Controls Over Injection Well Disposal Operations

RCED-87-170, 08/28/87

Background

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) Underground Injection Control (UIC) Program, to assess: (1) the extent to which hazardous waste has contaminated underground sources of drinking water; and (2) EPA and state oversight of underground injection of hazardous waste.

Findings

GAO found that: (1) although there are few confirmed cases of drinking-water contamination, because the contamination is hard to detect, there could be more; (2) monitoring wells have a limited usefulness for large underground areas; (3) neither EPA nor the states require sampling or testing of groundwater immediately above injected waste; (4) EPA did not perform periodic well inspections to ensure compliance with regulations in two states for which it had direct responsibility; (5) 1984 legislation mandated the banning of injection well disposal of hazardous wastes as of August 1988, unless operators could demonstrate that the hazardous waste would not migrate; and (6) EPA believes that most wells currently in operation should pass a demonstration of no migration, meet the more stringent controls, and continue to operate.

Open Recommendations to Agencies

Recommendation: To ensure that the regulatory oversight functions built into the UIC program for hazardous waste injection wells are in fact being performed in states for which EPA bears direct responsibility, the Administrator, EPA, should strengthen the program's oversight functions by requiring that EPA headquarters annually evaluate each regional office operating a UIC program, to ensure, at a minimum, that the program's regulatory oversight functions are being performed.
Status: Action not yet initiated. EPA has not yet responded to this recommendation.

Recommendation: To ensure that the regulatory oversight functions built into the UIC program for hazardous waste injection wells are in fact being performed in states for which EPA bears direct responsibility, the Administrator, EPA, should strengthen the program's oversight functions by reemphasizing to EPA regions with direct UIC program responsibility that they are to perform and document periodic inspections and report noncompliance incidents to EPA headquarters, as required by UIC regulations.
Status: Action not yet initiated. EPA has not yet responded to this recommendation.

Recreational Resources

Are Agencies Doing Enough or Too Much for Archeological Preservation? Guidance Needed

CED-81-61, 04/22/81

Background

Congress has passed the National Historic Preservation Act Amendments to provide additional guidance and clarification to the National Preservation Program. The amendments give the Secretary of the Interior the authority to waive the 1-percent limitation on the use of project funds to defray the costs of data recovery, increase the role of state historic preservation programs, and clarify federal agency responsibilities. GAO reviewed the programs of eight agencies whose activities had potential major

impacts on archeological sites, the operations of five state historic preservation offices, and the program management of the Heritage Conservation and Recreation Service and the Advisory Council on Historic Preservation (ACHP).

Findings

The National Archeology Program, which costs about $100 million a year, is not working well. The Department of the Interior must provide better leadership and direction to federal agencies and states. Without better guidance, some federal agencies could spend billions of dollars over the next 10 to 30 years for archeological surveys, many of which may not be necessary, while other agencies may not do enough to identify and protect archeological sites. Interior has not established good criteria for agencies to use in determining whether identified sites are important to the national heritage, nor has it provided guidance on the extent to which archeological resources must be recovered, recorded, or preserved to comply with federal laws and regulations. This has resulted in project delays, increased costs, and general confusion over what is required to identify sites, determine their significance, and protect their resources. Federal departments and agencies interpret their responsibility for identifying archeological resources differently. Federal agencies rarely coordinate archeological overview studies, which could avoid duplication and save money. State historic preservation offices could help federal agencies determine which properties have state and local significance and are eligible for listing on the National Register. While some agencies limit archeological excavation to project areas, others require federal permittees and grantees to excavate sites well outside those areas. Lack of information on program costs and accomplishments hampers the program.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should promulgate regulations on federal data recovery efforts and reporting systems, including improved dissemination of archeological reports to the National Technical Information Service (NTIS) so that information can be made available to the archeological profession and federal, state, and local officials in a decisionmaking capacity.
Status: Action in process. Estimated completion date: 09/89. Interior provided federal agencies guidelines on how to establish accounts for submitting reports to NTIS. Interior undertook a three-phase effort to develop and implement a National Archeological and Cultural Resource Data Base. Interior expects this to be completed and accessible to federal agencies by the end of FY 1989, providing funds continue to be provided at the same or increased levels.

Recommendation: The Secretary of the Interior should promulgate regulations on federal data recovery efforts and reporting systems, including the development of agency reporting systems for providing information to Interior and agency management on program costs and accomplishments, so that program effectiveness can be monitored and reported to Congress.
Status: Action in process. Estimated completion date: 03/88. Interior sent a questionnaire to all applicable federal agencies requesting them to submit data on their FY 1985 archeological activities. Interior drafted revisions to 36 C.F.R. 66, which it will use to fulfill its responsibilities to Congress. It expects to publish the proposed rules in the Federal Register by March 1988.

Recommendation: The Secretary of the Interior should promulgate regulations on federal data recovery efforts and reporting systems, including the specific circumstances and extent to which agencies are required to excavate sites outside a project's direct impact area.
Status: Action in process. Estimated completion date: 03/88. Draft regulations revising 36 C.F.R. 66 are being prepared by Interior. Interior expects to publish the proposed rules in the Federal Register by March 1988.

Recommendation: The Secretary of Agriculture should require the Forest Service to improve its program for identifying archeological resources by performing archeological surveys on Forest Service lands before timber harvests or other land-altering projects.
Status: Action in process. Estimated completion date: 01/88. USDA completed an activity review, which resulted in an interim direction calling for archeological surveys on Forest Service lands before timber harvests or other land-altering projects. USDA is currently modifying its cultural resource manual, which is expected to be issued in January 1988.

Recommendation: The Secretary of the Interior should finalize regulations setting forth detailed procedures explaining how federal agencies are to conduct surveys and investigations to locate and identify archeological properties.
Status: Action in process. Estimated completion date: 12/87. GAO concern was addressed through the preparation of standards and associated guidance. Interior prepared guidelines for agencies to carry out their responsibilities under section 110 of the National Historic Preservation Act. The guidelines were published in the Federal Register in March 1986. Comments were received and Interior hopes to finalize and issue the guidelines by December 1987.

Recreational Resources

Illegal and Unauthorized Activities on Public Lands—A Problem With Serious Implications

CED-82-48, 03/10/82

Background

GAO reviewed the federal role in providing outdoor recreation in California and Oregon.

Findings

GAO noted that field officials at selected locations of the Bureau of Land Management (BLM) and the Forest Service are not always effectively enforcing laws relating to illegal and unauthorized activities on public lands. Although the magnitude and seriousness of crimes such as burglary and larceny, marihuana cultivation, timber thefts, and trespassing are not fully known, available evidence indicates that such activities are widespread and increasing on BLM and Forest Service lands. Field officials of the National Park Service (NPS) are doing a better job of enforcing laws and regulations; nevertheless, there is currently an increase in crimes against people and their property. In each of the three agencies, management constraints such as travel, vehicle, and duty restrictions limit efficient and effective law enforcement activities. Limited agency resources and the remoteness of the land contribute to the rise of illegal and unauthorized activities. However, the agencies' top management did not believe that a serious problem existed. This was due, in part, to a lack of information on these kinds of activities on the public lands managed by the agencies nationwide. The Department of the Interior has not developed an effective, uniform, and timely management information system as GAO previously recommended. The information system of the Forest Service is new, thus statistics are not yet available for the entire nation.

Open Recommendations to Agencies

Recommendation: The Secretaries of the Interior and Agriculture should direct the heads of the land management agencies to establish and effectively implement law enforcement information systems that provide management with essential and reliable reporting information on the seriousness and extent of crime on public lands. Such systems are vital to supervising and controlling law enforcement efforts.
Addressee: Department of the Interior
Status: Action in process. Estimated completion date: 09/89. BLM developed a pilot system in its California State office. For FY 1988, BLM will seek to eliminate any bugs in this pilot system. BLM plans to have the system operating in other states in FY 1989. NPS is planning to assess the need for a new information system.

Recreational Resources

Increasing Entrance Fees: National Park Service

CED-82-84, 08/04/82

Background

GAO conducted a review to estimate National Park System entrance fees using the criteria in the Land and Water Conservation Fund Act of 1965, as amended, to determine whether it was appropriate for Congress to reconsider its fee moratorium.

Findings

A 1979 congressional moratorium prevented the National Park Service (NPS) from raising entrance fees at 333 units in the National Park System, despite rising operating costs and inflation. Between 1971 and 1981, NPS operation and maintenance costs per visitor rose 149 percent, while entry fee revenues per visitor declined 30 percent. As a result, entry fee revenues declined from over 7 percent of NPS operation and maintenance costs in 1971 to about 2 percent of those costs in 1981. During the same period, inflation totalled 129 percent. Using a unit-day-value method,

GAO determined that the recreation benefits at six major park system units have a daily value ranging from $7.64 to $11.40 for a family of four. However, daily entrance fees at these parks only average about $3.00 per vehicle. Using the six legislative criteria as guidelines, GAO estimated that NPS could generate net additional revenues of $18 million at 48 of the 71 units which GAO reviewed. GAO also estimated that NPS could generate additional net income of $2.7 million by extending fee collection hours at 14 parks. The responsibility for setting park entrance fees rests with the Secretary of the Interior. GAO agrees with proposed legislation which would repeal the moratorium on initiating and increasing park entrance fees and remove the $10 limit on the price of the Golden Eagle Passport, which allows unlimited entry to all parks for the calendar year.

Open Recommendations to Congress

Recommendation: Congress should repeal section 402 of Public Law 96-87, which froze all NPS entrance fees at their January 1, 1979, level and prohibited collecting entrance fees at any additional units.
Status: Action taken not fully responsive.

Recommendation: Congress should amend section 4 of the Land and Water Conservation Fund Act of 1965, as amended, to remove the $10 limit on the price of a Golden Eagle Passport.
Status: Action taken not fully responsive.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should direct the Director, NPS, to set the price of the Golden Eagle Passport based on the levels of fees set at individual parks.
Status: Action taken not fully responsive. Interior's FY 1987 appropriation allows NPS to increase the price of the Golden Eagle Passport to $25 for 1 year. Several bills are pending in the 100th Congress that would provide for an increase in subsequent years.

Recreational Resources

National Park Service Needs a Maintenance Management System

RCED-84-107, 06/01/84

Background

Pursuant to a congressional request, GAO examined the potential for increased efficiency and effectiveness in maintaining the national park system.

Findings

The National Park Service (NPS) spends millions of dollars annually to maintain the buildings, roads, bridges, monuments, hiking trails, and utility systems on the more than 79 million acres of developed and undeveloped land which comprise the national park system. GAO visited nine NPS units in 1983 and found that attention had not always been given to systematically maintaining facilities, and that NPS had not provided adequate maintenance policy, guidance, or training. At seven of the parks visited, GAO found that park superintendents were not determining or requesting the funding needed to properly maintain park assets, properly accounting for maintenance resources, or assessing the efficiency and effectiveness of their maintenance activities. Superintendents at these seven parks agreed that they did not have the necessary information about their maintenance operations and did not know whether their maintenance activities were effective or efficient. NPS has estimated that the cost of developing and implementing an effective maintenance management system (MMS) would be less than $10 million. GAO believes that the cost of such a system could be justified by the large annual NPS maintenance budget, the current maintenance problems, and the potential to recapture development and implementation costs through reduced maintenance costs, increased productivity, and other benefits.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should direct the Director, NPS, to design, test, and implement in the national park system a maintenance management system which includes the key management elements discussed in this report. To help in designing a

system, NPS officials may want to obtain information from organizations such as Parks Canada, which have maintenance management systems in operation.

Status: Action in process. Estimated completion date: 12/89. The task force consulted extensively with Parks Canada, and NPS contracted with consultants for the development of pilot systems at two parks. NPS issued a request for proposals for a contract to design, test, and assist in implementation of a servicewide system. NPS awarded a 3-year contract on June 18, 1986. Implementation completion in all parks is expected by December 1989.

Recommendation: The Secretary of the Interior should direct the Director, NPS, to develop a training program which focuses on planning, organizing, directing, and reviewing activities associated with a maintenance system and ensure that maintenance managers and other appropriate park and regional personnel receive the training.

Status: Action in process. Estimated completion date: 12/89. The contract that NPS awarded in June 1986 requires the contractor to develop a training program and provide training to key NPS personnel. The training program was developed by the contractor and all park superintendents and chiefs-of-maintenance received initial training. Hands-on implementation training will be completed by December 1989.

Recreational Resources

National Parks: Law Enforcement Capability and Cost Comparisons at Two Recreation Areas

RCED-86-40, 03/07/86

Background

In response to congressional requests, GAO reported on the: (1) ability of park rangers to adequately provide visitor and resource protection; and (2) comparative personnel compensation, benefits, and pension costs of park police and rangers.

Findings

GAO found that, based on their law enforcement training and performance: (1) commissioned park rangers are capable of providing visitor and resource protection at Gateway and Golden Gate National Recreation Areas; (2) park police and commissioned park rangers receive training in similar areas, but park police training is more extensive; and (3) park police and commissioned park rangers also must handle similar criminal offenses, such as homicide, rape, robbery, and assault. GAO also found that, in 1984: (1) law enforcement costs were about $2.3 million at Gateway and $1.7 million at Golden Gate for 84 park police and 34 commissioned park rangers; and (2) if the 84 park police had been replaced by 91 commissioned park rangers, personnel compensation and benefits costs at the two parks may have been reduced by $740,338. According to National Park Service (NPS) officials, if the 30 park police positions were eliminated, NPS: (1) would have saved $802,314 in annually recurring personnel compensation and benefits costs, and $3.2 million in pension costs with an additional $40,000 to $1.2 million in annually recurring pension costs; and (2) might have incurred $199,381 in training expenses, but relocation expenses would have decreased from $2.94 million to $2.44 million.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should assess the difficulties in recruiting, retaining, and obtaining off-federal-parkland law enforcement authority for commissioned park rangers at Golden Gate and Gateway. In addition to the enforcement capabilities and cost information, the results of the assessment should provide Congress with adequate information on the consequences of shifting the work force from park police to park rangers.

Status: Action in process. Estimated completion date: 12/87. NPS requested information from the California and New York State legislatures regarding actions needed to secure law enforcement authority for its commissioned park rangers. New York will take the question up in its next legislative session. California has not yet responded. No further actions have been undertaken pending the outcome of this querry.

Recreational Resources

Parks and Recreation: Limited Progress Made in Documenting and Mitigating Threats to the Parks

RCED-87-36, 02/09/87

Background

In response to a congressional request, GAO provided information on: (1) National Park Service (NPS) actions to address threats to the National Park System's natural and cultural resources; and (2) the extent to which current legislation obligates NPS to intercede in outside actions that would affect park resources.

Findings

GAO found that: (1) although NPS required each park to complete a resource management plan by the end of 1981 and update it annually, only half met the original deadline, and NPS did not use the completed plans in formulating its annual budget; (2) NPS failed to follow through on the initiatives for improving resource information and increasing scientific research, but has undertaken the training initiatives; (3) neither NPS nor the individual parks kept track of their progress in addressing the threats to their resources that a 1980 report identified; (4) the NPS budget for resource management increased from $44 million in 1980 to $93 million in 1984; (5) the parks used additional funds to remove harmful plants and animals and repair deteriorating historic structures; (6) as of December 1985, NPS had not resolved 80 percent of the threats reported in 1980; and (7) NPS did not receive funding for many of its proposed projects to address known and potential resource problems.

Open Recommendations to Agencies

Recommendation: To provide the information needed for NPS to develop a comprehensive, systemwide approach to protect and manage park resources and to provide the basis to make more informed funding decisions, the Secretary of the Interior should direct the Director, NPS, to enforce the agency's requirement that resource management plans be prepared and updated in accordance with established NPS guidance and criteria at each park unit.
Status: Action not yet initiated. The Director, NPS, sent a memo to the regional directors regarding the use of resource management plans on June 30, 1987. The target date for issuing the revised guidelines for preparing the plans is March 15, 1988.

Recommendation: To provide the information needed for NPS to develop a comprehensive, systemwide approach to protect and manage park resources and to provide the basis to make more informed funding decisions, the Secretary of the Interior should direct the Director, NPS, to improve procedures on the use of the information provided in the resource management plans to: (1) identify and prioritize cultural and natural resource management needs on a regional and servicewide basis; and (2) prepare annual budget requests.
Status: Action not yet initiated. The Director, NPS, sent a memo to the regional directors regarding the use of resource management plans on June 30, 1987. The target date for issuing the revised guidelines for preparing the plans is March 15, 1988.

Recommendation: The quality of the resource management plans depends on the adequacy of the resource information upon which it is based. Therefore, to ensure that the plans are based on adequate information and to establish basic accountability for park resources, the Secretary of the Interior should direct the Director, NPS, to develop standards for determining the minimum baseline information needed to properly plan for the management and protection of park resources.
Status: Action not yet initiated. NPS adopted a final baseline inventory and long-term monitoring policy and implementation strategy on April 29, 1987. In fiscal year (FY) 1988, NPS will develop NPS-wide standards and guidelines. Standards for natural resources are targeted for completion by April 1, 1988.

Recommendation: The quality of the resource management plans depends on the adequacy of the resource information upon which it is based. Therefore, to ensure that the plans are based on adequate information and to establish basic accountability for park resources, the Secretary of the Interior should direct the Director, NPS, to assess the adequacy of each park's information base in relation to the standards so developed.

Status: Action not yet initiated. NPS plans to start assessing the status of existing resource baseline inventories and long-term monitoring programs using the standards, beginning in FY 1988. The natural resource programs assessment will begin on February 15, 1988, and is scheduled to end on July 15, 1988.

Recommendation: The quality of the resource management plans depends on the adequacy of the resource information upon which it is based. Therefore, to ensure that the plans are based on adequate information and to establish basic accountability for park resources, the Secretary of the Interior should direct the Director, NPS, to take action to improve park information bases that are found not up to the standards.
Status: Action not yet initiated. This recommendation cannot be implemented until other recommendations are implemented.

Recommendation: The quality of the resource management plans depends on the adequacy of the resource information upon which it is based. Therefore, to ensure that the plans are based on adequate information and to establish basic accountability for park resources, the Secretary of the Interior should direct the Director, NPS, to develop and implement long-term programs to monitor resource condition changes over time.
Status: Action not yet initiated. NPS adopted a final baseline inventory and long-term monitoring policy and implementation strategy on April 29, 1987. In FY 1988, NPS will develop Service-wide standards and guidelines. Standards for natural resources are targeted for completion by April 1, 1988.

Water Resources

Wildlife Management: National Refuge Contamination Is Difficult To Confirm and Clean Up

RCED-87-128, 07/17/87

Background

In response to a congressional request, GAO reviewed the status of cleanup activities at the Kesterson National Wildlife Refuge to determine whether the federal government: (1) assessed the extent of contamination at refuges nationwide; (2) developed water quality criteria to protect wildlife and refuge habitats from contamination; and (3) dealt with actual or potential contamination from agricultural drainage water or other sources.

Findings

GAO found that the: (1) Bureau of Reclamation stopped the flow of contaminated water to the Kesterson refuge and prepared a phased cleanup plan to initially treat contamination in place, rather than dispose of it; (2) board responsible for protecting California's water resources rejected the phased plan and approved the concept of on-site disposal; and (3) cleanup will cost an estimated $27 billion. GAO also found that the Department of the Interior: (1) intensified efforts to identify contaminated refuges, since an Interior survey indicated that 85 of 430 refuges were or could be contaminated by agricultural drainwater or by municipal, industrial, or military activities; and (2) did not use survey techniques that would identify all contaminated refuges. GAO concluded that obstacles to identifying and cleaning up sites include the: (1) lack of water quality criteria to determine when contamination threatens wildlife and refuge habitats; (2) lack of federal regulatory authority over agricultural drainage water; and (3) lengthy process of identifying the party responsible for cleanup, deciding on a cleanup plan, and obtaining cleanup funds.

Open Recommendations to Agencies

Recommendation: The Administrator, Environmental Protection Agency (EPA), in close coordination with the Secretary of the Interior, should develop water quality criteria for protecting wildlife and refuge habitats. If current resources and funding levels are insufficient for this program, the Secretary and the Administrator should submit estimates of the additional needs to Congress for consideration.
Status: Action in process. EPA stated that it was planning a workshop to prepare a research plan for developing water quality standards for wetlands, and that it intended to develop a list of pollutants of greatest concern and a

research plan with associated costs to determine water quality criteria for protecting wildlife.

Recommendation: The Secretary of the Interior should evaluate the results of the ongoing studies to determine if agricultural drainage traceable to a single source is occurring elsewhere.
Status: Action taken not fully responsive. Interior stated that, on the basis of its limited evaluation, it had serious reservations about the GAO suggestion to amend the Clean Water Act. Since Interior has not evaluated 13 other studies, this position appears premature. GAO plans to follow up with Interior on this matter.

Recommendation: If agricultural drainage traceable to a single source is occurring elsewhere, the Secretary of the Interior should work with the Administrator, EPA, in preparing a legislative proposal to amend the Clean Water Act to require that agricultural drainage traceable to a single source be subject to discharge permit requirements.
Status: Action taken not fully responsive. Interior stated that, on the basis of its limited evaluation, it had serious reservations about the GAO suggestion to amend the Clean Water Act. Since Interior has not evaluated 13 other studies, this position appears premature. GAO plans to follow up with Interior on this matter.

Nondiscrimination - Equal Opportunity Programs

Uniform Guidelines on Employee Selection Procedures Should Be Reviewed and Revised

FPCD-82-26, 07/30/82

Background

The Uniform Guidelines on Employee Selection Procedures describe the federal government's position on how tests should be used in making employment decisions which are consistent with federal equal employment opportunity (EEO) laws. This review was made because GAO believes that the guidelines: (1) are important to EEO enforcement; and (2) have been publicly criticized by some of their users. The objective of the review was to determine whether those responsible for administering the guidelines and those who used them were experiencing any problems in their application.

Findings

In the opinion of GAO, the importance of the guidelines to EEO enforcement is not at issue. On the basis of the preponderance of views and experience expressed to GAO, it believes that the guidelines can have a major role in ensuring compliance with the spirit and intent of federal EEO laws. While revisions to the guidelines' technical provisions could be postponed until after the new American Psychological Association (APA) standards are published, beginning the review now could prevent unnecessary delay between issuance of those standards and any revisions.

Open Recommendations to Agencies

Recommendation: The Office of Personnel Management should cooperate with EEOC in this important effort.
Status: Action not yet initiated. EEOC stated that, at this stage, the other signatory agencies would not be included in discussions of options. Once EEOC decides what option to follow, the other agencies will be included.

Recommendation: The Department of Justice should cooperate with EEOC in this important effort.
Status: Action not yet initiated. EEOC stated that, at this stage, the other signatory agencies would not be included in discussions of options. Once EEOC decides what option to follow, the other agencies will be included.

Recommendation: The Department of Labor should cooperate with EEOC in this important effort.
Status: Action not yet initiated. EEOC stated that, at this stage, the other signatory agencies would not be included in discussions of options. Once EEOC decides what option to follow, the other agencies will be included.

Recommendation: The Department of the Treasury should cooperate with EEOC in this important effort.
Status: Action not yet initiated. EEOC stated that, at this stage, the other signatory agencies would not be included in discussions of options. Once EEOC decides what option to follow, the other agencies will be included.

Status of Prior GAO Recommendations on Selected District of Columbia Procurement Activities

GGD-86-64BR, 04/14/86

Background

Pursuant to a congressional request, GAO: (1) reviewed the status of recommendations it made to the District of Columbia (D.C.) concerning procurement matters; and (2) attempted to determine whether any national standards exist for local government procurement.

Findings

GAO found that: (1) while the University of the District of Columbia (UDC) attempted to improve compliance with its procurement procedures, about 23 percent of its fiscal year 1985 procurement transactions were noncompliant; (2) an internal UDC audit identified a number of common instances of noncompliance; and (3) UDC personnel continued to initiate a large number of unauthorized procurements. GAO also found that the D.C. Department of Administrative Services has: (1) revised its procurement reporting system; (2) strengthened its procurement procedures to require more competitive procurements; and (3) drafted standard contract option clauses. In addition, GAO found that, while the D.C. Public Schools (DCPS) took a number of actions to reduce noncompetitive procurement, they have not been successful because DCPS has not: (1) made effective use of inventory control systems; (2) reduced the use of blanket purchase agreements; (3) improved planning to reduce emergency purchases; or (4) timely completed property and equipment inventories at DCPS facilities.

Open Recommendations to Agencies

Recommendation: The Board of Trustees, UDC, should take the steps necessary to ensure that established procurement policies and procedures are followed. Such steps should include taking appropriate disciplinary action.
Status: Action taken not fully responsive. UDC took steps to apprise employees of the need to comply with procurement policies and procedures, but has not set any criteria for determining when disciplinary action would be appropriate. To date, no disciplinary actions have been taken against UDC employees who have not followed procurement policies and procedures.

Recommendation: The Superintendent, DCPS, should direct the Division of Buildings and Grounds to process requests for materials and supplies in a timely manner through normal procurement channels.
Status: Action in process. The DCPS Buildings and Grounds Division is operating under procedures used by the Logistical Support Division to improve warehouse management and inventory accountability. Additional staff and vehicles were added to improve delivery of materials to the work sites. In addition, a screening, prioritizing, and spending plan was implemented for all warehouse stock.

Recommendation: The Superintendent, DCPS, should direct the Division of Buildings and Grounds to collect the information necessary to perform needs assessments and use the needs assessments to maximize the practice of obtaining common-use items through normal competitive procurement purchases.
Status: Action in process. On August 15, 1987, DCPS advised GAO that the needs assessment had been completed. DCPS reiterated that a goal of a 75-percent reduction in over-the-counter purchases is not expected to be achieved until after March 1988 because of the lack of warehouse space and absence of an automated recorder system.

ADP Acquisitions: OCC's Procurement of Laser Printers is Proper but ADP Statutes Apply

IMTEC-87-17, 04/09/87

Background

Pursuant to a congressional request, GAO: (1) reviewed the Office of the Comptroller of the Currency's (OCC) procurement of laser printer equipment to determine whether OCC reasonably weighted technical considerations over cost; and (2) determined whether OCC was subject to the Property and Administrative Services Act and the Competition in Contracting Act.

Findings

GAO found that: (1) OCC reasonably determined that, since commercially available equipment would not meet its requirements, it needed to conduct a negotiated procurement to allow for different technical approaches; (2) OCC reasonably evaluated proposals and selected the awardee; and (3) despite OCC contentions to the contrary, it is subject to the requirements of the Property and Administrative Services Act, the Automatic Data Processing Equipment Act, and the Competition in Contracting Act, since it is an executive agency, as defined by those statutes. GAO noted that, despite OCC concerns, it conducted its review pursuant to a congressional request and not in the interest of considering an untimely procurement protest.

Open Recommendations to Agencies

Recommendation: The Comptroller of the Currency should direct his procurement staff to specifically cite the applicability of procurement statutes in any future Requests for Proposals they issue.
Status: Recommendation valid/action not intended. OCC believes that implementing this recommendation would be incorrect and misleading to the public.

Small Business Act: Energy's Disadvantaged Business Advocate Not Reporting to Proper Management Level

GGD-87-69, 05/26/87

Background

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) compliance with section 15 of the Small Business Act, which requires that the Director, Office of Small and Disadvantaged Business Utilization (OSDBU), be responsible only to and report directly to the agency head or deputy.

Findings

GAO found that, although OSDBU reported directly to the agency head, it did not comply with the statutory requirements of the act, since it received day-to-day supervision from another management level.

Open Recommendations to Agencies

Recommendation: To bring DOE into compliance with section 15(k)(3) of the Small Business Act, the Secretary of Energy should require that the Director, OSDBU, be responsible only to, and report directly to, his office or the Deputy Secretary of Energy.
Status: Action not yet initiated. DOE is still not in compliance with the cited act. In a previous report, DOE was cited as

being not in full compliance with the act. In 1983, the Director, OSDBU, sent a letter to the Secretary of Energy requesting action to correct the condition. The situation still has not been corrected. Further action by DOE is uncertain.

GSA Procurement: Quality Assurance for Common-Use Items Should Be Improved

GGD-87-65, 06/29/87

Background

In response to a congressional request, GAO reviewed the General Services Administration's (GSA) Federal Supply Service's (FSS) Quality Approved Manufacturer Agreement Program (QAMA).

Findings

GAO found that: (1) none of the federal facilities that it visited reported all identified quality defects to the GSA complaint system; (2) although the complaint reporting instructions appear in federal regulations, the GSA supply catalog, and other publications, supply personnel were unaware of the reporting procedures or found them confusing; (3) the reporting instructions were incomplete, inconsistent, and difficult to understand; (4) administrative contracting officers (ACO) did not determine whether agencies received acceptable replacements for defective items; (5) warehouse surveillance to identify defective items was not always timely; (6) contractors' quality control systems did not always meet minimum federal requirements; and (7) preaward surveys did not always include contractors' past quality performance histories.

Open Recommendations to Agencies

Recommendation: The Administrator of General Services should: (1) standardize the complaint reporting procedures contained in the Federal Property Management Regulations, GSA supply catalog, assistance guides, newsletters, and single award schedules; (2) provide reporting instructions that let agencies know where to submit complaints; and (3) disseminate complaint reporting instructions to federal agencies and instruct the agencies to provide these instructions to their supply personnel.
Status: Action in process. Estimated completion date: 05/88. GSA is standardizing and disseminating complaint instructions.

Transportation

Air Transportation

Aviation Safety: Serious Problems Concerning the Air Traffic Control Work Force

RCED-86-121, 03/06/86

Background

GAO reported on its study of the air traffic control (ATC) work force. GAO: (1) surveyed air traffic controllers, supervisors, and facility managers about the prevalence of certain problems; and (2) studied Federal Aviation Administration (FAA) data on staffing, overtime, and air traffic activity.

Findings

GAO found that: (1) the ATC system is operating with fewer controllers overall, and far fewer fully qualified controllers (FPL), than before the August 1981 controllers' strike; (2) while FAA has established a 75-percent FPL staffing goal for all ATC facilities, only 66 percent of the total controllers are FPL; (3) FAA groups FPL and less-qualified controllers together when it reports on the size of the work force and its progress toward meeting staffing goals; (4) training attrition has increased 9 percent since the strike; and (5) many more controllers may retire in the next 2 years than FAA expects because of concern over proposed changes in the federal retirement system. GAO also found that: (1) air traffic has reached record levels and is expected to continue to grow; (2) controller work loads will continue to be a source of concern because major labor-saving innovations in the ATC system will not be in place for some time; (3) many controllers believe that they are overworked because of a shortage of FPL, inadequate traffic flow control procedures, airline schedules, and ATC sector configuration changes; (4) while FAA reported that systemwide overtime use decreased, overtime use at major-route ATC centers actually increased; and (5) FAA relies very heavily on overtime to compensate for reduced staffing requirements. GAO believes that, despite repeated FAA assurances to the contrary, the ATC system does not provide the same level of safety as it did before the strike.

Open Recommendations to Agencies

Recommendation: FAA should impose restrictions on air traffic until both the number of FPL and overtime requirements meet its goals. Problems relating to both the number of FPL and overtime are most acute at the air route traffic control centers and FAA must recognize this in deciding what restrictions to impose.
Status: Action in process. The status of the ATC system and the level of FAA staffing have improved to the point that additional restrictions on air traffic are unwarranted. FAA is restricting traffic in the air traffic control system.

Recommendation: FAA should take into account the concerns of its controllers, supervisors, and facility managers, and reduce the total amount of time controllers are spending at radar control positions during a shift and the amount of time they are working without some sort of break during normal busy periods.
Status: Action not yet initiated. FAA is reminding all facility managers to adhere to FAA policy regarding time-on-position limits and is using GAO-provided data to identify problem facilities. However, actual corrective actions intended or taken, based on the analysis of the data, are unknown at this time.

Recommendation: FAA should take into account the concerns of its controllers, supervisors, and facility managers, and work with controllers and their supervisors to change sector configurations where sectors are handling too much traffic or are too complex. FAA should also evaluate the effectiveness of its flow control program.
Status: Action not yet initiated. FAA is reviewing GAO-provided data to identify facilities where controllers and supervisors identified the lack of sectors as a problem and states that sectorization programs will be reviewed accordingly. However, actual corrective actions intended or taken are unknown at this time.

Recommendation: FAA should also evaluate the effectiveness of its flow control program.
Status: Action not yet initiated. FAA is using GAO-provided data to identify facilities where the flow control program was criticized by controllers and supervisors. However, actual corrective actions intended upon completion of the analysis are unknown at this time.

Recommendation: FAA should include controllers and supervisors in the

process of deciding how to improve management concerns.
Status: Action not yet initiated. FAA stated that it will evaluate its facility advisory boards and human relations committees to identify which ones have had good results and the reasons why. Further action will depend on the evaluation results, but FAA intentions are unknown at this time.

Air Transportation

Airline Competition: Impact of Computerized Reservation Systems

RCED-86-74, 05/09/86

Background

Pursuant to a congressional request, GAO examined the effects of airline-owned computerized reservation systems (CRS) on competition in the airline industry, focusing on: (1) conflicting studies on CRS profitability conducted by two CRS-owning airlines and a consultant; and (2) a Department of Justice report on the structure and performance of the CRS market.

Findings

GAO found that: (1) a group of airlines has charged that the airlines that own the two largest systems have used them to create an unfair competitive advantage; (2) before the now-defunct Civil Aeronautics Board (CAB) promulgated CRS rules in 1984, systems used biased screens which displayed the owning airlines' flights first in the listings of available flights; and (3) other airlines have charged that CRS-owning airlines also charge unreasonably high rates to competitors for CRS participation and use information gained from their systems to gain an unfair advantage. GAO also found that: (1) the consultant study reported that the two airlines underreported the profitability of their systems; (2) the consultant overestimated potential CRS incremental revenues for the two airlines, but the airlines erroneously determined that they would earn no incremental revenues for the period after CAB implemented its regulations; and (3) while the study was flawed, its conclusion that the two airlines underestimated potential CRS profitability was accurate. In addition, GAO found that Justice reported that: (1) the CRS market will probably remain highly concentrated, with the two largest airline-owned systems controlling about 70 percent of all domestically booked travel revenue; (2) the prospects for a new entry into the CRS market are slim unless a competitive group buys out a smaller CRS and attempts to make it more competitive; and (3) CRS-owning airlines could still use their market power to increase booking fees for airlines using their systems.

Open Recommendations to Agencies

Recommendation: The Secretary of Transportation should undertake the two studies regarding the persistence of incremental revenues and the effect of booking fees on competition, and take additional action, if warranted by the results of the studies, to enforce compliance with or to strengthen the CRS rules.
Status: Action in process. The Department of Transportation (DOT) is completing its data collection effort and has begun sifting through the data collected. It plans to issue a report by January 1988.

Recommendation: The Secretary of Transportation should report to the concerned committees of Congress on the results of the studies and any actions planned.
Status: Action in process. DOT will decide what to do after it evaluates the impact from affected and interested parties. DOT plans to issue a report by January 1988.

Recommendation: To assess the possible persistence and size of incremental revenues, DOT should study the behavior of individual travel agents who subscribe to different CRS vendors in the post-rule period.
Status: Action in process. DOT is completing its data collection effort and has begun sifting through the data.

Recommendation: To assess the anticompetitive effects of booking fees, DOT should examine the potential anticompetitive effects of these fees in specific types of air travel markets. The study should also examine the likely

impacts of possible remedies to the anticompetitive effects of booking fees.	**Status:** Action in process. DOT is completing its data collection effort and is currently sifting through the data.

Air Transportation

Air Traffic Control: FAA's Advanced Automation System Acquisition Strategy Is Risky

IMTEC-86-24, 07/08/86

Background

GAO reviewed the Federal Aviation Administration's (FAA) acquisition of the Advanced Automation System (AAS) to determine whether it is a technically and economically sound investment.

Findings

GAO found that: (1) the current AAS acquisition strategy does not adequately mitigate technical risks and does not provide for suitable operational simulation of the advanced automation features; and (2) AAS, as currently planned, may not be economically justified. GAO believes that the FAA strategy has unacceptably high risks and may result in significant cost increases, schedule delays, and performance deficiencies. GAO also believes that: (1) a fixed price for untested hardware may result in higher costs because the contractor's risk may be reflected in higher fixed prices to compensate for the system's unproven producibility; (2) requirement changes to correct performance problems can lead to significant additional costs even in a fixed-price contract; (3) software, which constitutes a major portion of AAS development, and cost risk will be developed using a cost-plus type contract; and (4) having only one contractor during the concurrent development, test, and production phase limits risk-reduction opportunities typically achieved through cost and technical competition.

Open Recommendations to Agencies

Recommendation: The Secretary of Transportation should direct FAA to revise its AAS acquisition strategy to incorporate a contract phase to develop and operationally test prototype models of critical components under realistic conditions before the decision and contract award are made for full production quantities. At a minimum, critical components should include the controller workstations, en route hardware and software, and the local communications network.
Status: Action in process. Restructure plans, test plans, risk mitigation efforts, and preliminary reports have been submitted. Final cost-benefit and risk analysis should be available in several months.

Recommendation: The Secretary of Transportation should direct FAA to reexamine AAS features and requirements to identify the most inexpensive and cost-effective alternatives and to revalidate requirements before proceeding to the development and testing phase.
Status: Action in process. FAA and the Department of Transporation informed GAC that AAS features were being reviewed for cost-effectiveness. FAA review of AAS requirements is expected to yield cost avoidance of about $400 million on unnecessary military standard requirements and $100 million to $150 million in cost savings from reduced requirements. These changes are in the approval process.

Recommendation: The Secretary of Transportation should direct FAA to verify the benefit estimates and the operational suitability of Aera 1 and Aera 2 functional enhancements by operational simulation as soon as it is practicable, and before proceeding with full-scale production.
Status: Action in process. FAA now plans to simulate Aera 2 functions at its Technical Center before giving the requirements to AAS contractors. FAA is asking AAS contractors to simulate Aera 1 functions before finalizing the software.

Air Transportation

Aviation Safety: Needed Improvements in FAA's Airline Inspection Program Are Underway

RCED-87-62, 05/19/87

Background

In response to a congressional request, GAO examined the Federal Aviation Administration's (FAA): (1) ability to maintain airline safety standards in a deregulated environment; and (2) actions to correct weaknesses in its inspection program.

Findings

GAO found that FAA: (1) did not develop a system for monitoring deregulation's impact; (2) decreased its inspection force by 250 between 1981 and 1983, although it did not have staffing standards to provide a framework for determining how many inspectors it needed; (3) failed to collect inspection data and often did not identify major safety problems or ensure their correction through appropriate follow-up; (4) lacked guidelines concerning the needed frequency and scope of inspections; and (5) gave priority to certifying new airlines while existing airlines were experiencing safety compliance problems due to rapid growth and personnel turnover. GAO also found that FAA has begun to address these problems by: (1) increasing its inspector work force; (2) establishing minimum inspection standards; (3) improving its internal control and management information systems; and (4) instituting a National Inspection Plan (NIP), using specially assembled teams to inspect targeted airlines.

Open Recommendations to Agencies

Recommendation: To help expedite the implementation of FAA efforts and better ensure their effectiveness, the Secretary of Transportation should direct the Administrator, FAA, to ensure that the FAA management information system is adequate to: (1) identify who is inspecting which airlines, thereby permitting FAA to better allocate its inspector work force and identify the current training needs of all of its inspectors; and (2) analyze nationwide inspection results for each airline to provide FAA with a better picture of each airline's compliance with safety regulations.
Status: Action in process. Estimated completion date: 12/88. This recommendation has been incorporated into an action plan that is now in progress.

Recommendation: To help expedite the implementation of FAA efforts and better ensure their effectiveness, the Secretary of Transportation should direct the Administrator, FAA, to develop a plan to ensure that the extensive software and handbook revisions, as well as the retraining necessary to effect the smooth changeover to the new type of microcomputer for the Work Program Management Subsystem, have been made by mid-1988, when the new computers are expected to be available for use.
Status: Action in process. Estimated completion date: 06/88. A transition plan is being developed.

Recommendation: To help expedite the implementation of FAA efforts and better ensure their effectiveness, the Secretary of Transportation should direct the Administrator, FAA, to establish measurable goals and target dates for implementing agencywide evaluations of regional and district office compliance with inspection work priorities, the adequacy of supervisory oversight, and the quality of the periodic and follow-up inspections being performed.
Status: Action in process. Estimated completion date: 06/88. To date, FAA has hired a national evaluation staff, directives and checklist have been written, and the first evaluation has been conducted.

Recommendation: The Secretary of Transportation should direct the Administrator, FAA, to supplement FAA minimum standards for the type and frequency of airline inspections to provide guidance that takes into account the need to target airlines displaying characteristics that may indicate safety deficiencies, such as a relatively large amount of contracted maintenance and training, inadequate internal management controls, or management experience and philosophy incompatible with sound safety practices. These minimum type and frequency standards should be incorporated into FAA inspector staffing standards.

Status: Action in process. Estimated completion date: 06/89. FAA has revised its program guidelines, but has not yet included the new inspection guidance into its staffing standards.

Recommendation: The Secretary of Transportation should direct the Administrator, FAA, to develop criteria for targeting airlines for special inspections under NIP and define the relationship between the special inspections and routine surveillance.

Status: Action in process. Estimated completion date: 09/89. FAA is in the process of further defining criteria. This effort will extend into fiscal year 1989.

Recommendation: The Secretary of Transportation should direct the Administrator, FAA, to refine estimates for staffing NIP and incorporate these estimates in its inspector staffing standard.

Status: Action in process. Estimated completion date: 09/89. Although specific steps have been taken to address this recommendation, it cannot be considered fully implemented until the recommendation to develop criteria for targeting airlines for special inspections under NIP and define the relationship between the special inspections and routine surveillance is fully implemented.

Air Transportation

FAA Staffing: Challenges in Managing Shortages in the Maintenance Work Force

RCED-87-137, 09/25/87

Background

Pursuant to a congressional request, GAO examined the adequacy of the Federal Aviation Administration's (FAA) maintenance staffing, focusing on the impact of the: (1) current staffing situation on the air traffic system; and (2) projected attrition of maintenance personnel on staffing requirements.

Findings

GAO found that: (1) FAA hiring restrictions, staffing priorities, and failure to receive budget approval for additional staffing caused critical technician vacancies; (2) staffing shortages seriously impaired air traffic maintenance services; (3) increased work loads affected staff morale; (4) the outlook for technician staffing was not good, due to the large number of prospective retirements and the long training period for replacements; and (5) the performance data used for management analysis did not accurately reflect current conditions in the field.

Open Recommendations to Agencies

Recommendation: The Secretary of Transportation should direct the Administrator, FAA, to improve the airway facilities staffing standard validation process by: (1) requiring the field to review and verify facility inventories; (2) linking staffing projections to facility-specific data available through the systems engineering and integration contractor data base; and (3) estimating pipeline staffing needs.

Status: Action not yet initiated. The Department of Transportation (DOT) has not yet responded to this recommendation.

Recommendation: The Secretary of Transportation should establish staffing targets for field maintenance at a level approaching authorized positions to provide a technician pipeline to replace anticipated attrition over the next 5 years.

Status: Action not yet initiated. DOT has not yet responded to this recommendation.

Recommendation: The Secretary of Transportation should submit these targets and a funding plan to support hiring to these levels to the appropriate congressional committees.

Status: Action not yet initiated. DOT has not yet responded to this recommendation.

Recommendation: The Secretary of Transportation should direct the Administrator, FAA, to consider the options discussed above, such as rehiring retirees and redistributing the work force, to deal with situations where field staffing is already critical.

Status: Action not yet initiated. DOT has not yet responded to this recommendation.

Recommendation: The Secretary of Transportation should direct the Administrator, FAA, to standardize the preventive maintenance reporting system.

Status: Action not yet initiated. DOT has not yet responded to this recommendation.

Air Transportation

Aviation Weather: Status of FAA's New Hazardous Weather Detection and Dissemination Systems

RCED-87-208, 09/29/87

Background

Pursuant to a congressional request, GAO reviewed the Federal Aviation Administration's (FAA) efforts to: (1) develop better ground-based hazardous weather detection systems; and (2) disseminate weather information to pilots in a more timely manner.

Findings

GAO found that: (1) the enhanced low-level wind-shear alert system (LLWAS) could not detect wind shears that occurred above or below its ground-based sensors; (2) the terminal next-generation weather radar has a much greater range and is more accurate than LLWAS in detecting wind shears; (3) FAA will replace LLWAS with the terminal doppler weather radar when it becomes available; (4) FAA plans to award a procurement contract for 100 doppler radars in 1988, although the radar has not realized some performance objectives; (5) some of the doppler radar's performance objectives could require competing siting and scanning strategies; (6) FAA was uncertain on how best to use its improved weather detection data; and (7) an effective communication system to inform pilots of weather conditions was at least a decade away.

Open Recommendations to Agencies

Recommendation: The Secretary of Transportation should direct the Administrator, FAA, to inform the Department of Transportation and Congress of any performance objectives that the terminal doppler weather radar cannot meet and their impact on safety and cost before committing funds for a procurement contract.
Status: Action not yet initiated. FAA has not yet commented on this recommendation.

Recommendation: The Secretary of Transportation should direct the Administrator, FAA, to develop guidance on how air traffic controllers are to monitor the airport surveillance radar weather display and what hazardous weather information they are to disseminate to pilots.
Status: Action not yet initiated. FAA has not yet commented on this recommendation.

Ground Transportation

Cost Effectiveness of Life-Cycle Process in Buying Transit Vehicles Questionable

RCED-83-184, 09/01/83

Background

GAO discussed the Urban Mass Transportation Administration's (UMTA) procedure that requires federally funded transit systems to use life-cycle costs when buying transit vehicles.

Findings

GAO found that major obstacles inhibit this process, resulting largely from: (1) transit systems' failure to prove that such procurement decisions are cost-effective; and (2) a lack of adequate information, resources, or technical expertise for transit systems to effectively use the process. Further, transit systems have not adequately documented performance costs for the vehicles purchased to assess the validity of the cost projections. GAO believes that, if performance projections cannot be effectively confirmed, the continued use of the life-cycle cost process should be questioned because of the additional costs involved.

Open Recommendations to Agencies

Recommendation: The Secretary of Transportation should direct the Administrator, UMTA, to develop research and demonstration projects with selected transit systems to keep operating and maintenance cost records for the vehicles bought to determine the validity of the cost projections used in making the contract award.
Status: Action in process. DOT has initiated a project to collect maintenance and operating cost records for 30 articulated buses. The project is expected to be completed in January 1988.

Ground Transportation

Stronger Enforcement Would Help Improve Motor Carrier Safety

RCED-85-64, 09/05/85

Background

GAO reviewed the motor safety enforcement program that is carried out by the Federal Highway Administration's (FHwA) Bureau of Motor Carrier Safety (BMCS), focusing on the extent of BMCS oversight of such activities as: (1) the selection of motor carriers and shippers for safety audits; (2) assessment of motor carriers' and shippers' safety compliance; (3) the correction of deficiencies identified by safety audits; and (4) a new program to provide grants for state safety enforcement activities.

Findings

GAO found that: (1) while BMCS provides safety investigators with a carrier audit selection priority list, it does not require them to use it; (2) the priority list allows deviations for third-party complaints, accidents involving carriers not on the list, or other unusual circumstances; (3) BMCS regional offices use different criteria and judgment in selecting carriers for audit; and (4) BMCS has not established a similar priority list for shippers. GAO also found that: (1) there was a wide variance among the overall safety ratings recommended by BMCS investigators; (2) while investigators may be preparing ratings in accordance with the established criteria, BMCS has not analyzed the reasons for the differences; (3) there was a wide variance among actions taken by investigators after

audits that resulted in unsatisfactory ratings; (4) BMCS regional offices do not always comply with processing standards to ensure timely processing of enforcement cases; (5) BMCS does not have criteria for ensuring that assessed fines are consistent with the severity of violations found; (6) BMCS and FHwA do not always adequately document justifications for assessed fines; and (7) BMCS organizational structure hampers the effective and uniform implementation of the safety program. In addition, GAO found that, for the grant program, BMCS has not: (1) developed clear program goals; (2) defined federal and state roles and responsibilities; (3) established program information needs; or (4) developed program evaluation mechanisms.

Open Recommendations to Agencies

Recommendation: The Secretary of Transportation should direct the Administrator, FHwA, to develop and provide criteria for safety investigators that identify specific conditions and factors to be used for rating individual parts of the regulations as well as for the overall ratings.
Status: Action in process. A new FHwA safety fitness rule was developed to identify specific conditions and factors to be used for safety fitness ratings. In addition, the safety fitness rule establishes a new safety fitness standard and changes the ratings criteria for making the final safety fitness determination. The rule should be published within the next several months.

Recommendation: The Secretary of Transportation should direct the Administrator, FHwA, to establish procedures for monitoring the processing of enforcement cases to include the time taken between the various stages in the penalty process, analyzing and comparing time taken to process civil assessment cases, following up when FHwA standards are not met, and taking the necessary corrective actions.
Status: Action in process. FHwA is in the process of developing an enforcement data tracking system to monitor every investigation report initiated by field staff. This system will be capable of following an investigation from its initiation to final processing. An operational working group was formed to develop an implementation package. The target date is January 1988.

Recommendation: The Secretary of Transportation should direct the Administrator, FHwA, to develop a comprehensive federal program process, including: (1) establishing goals and objectives; (2) defining the respective federal and state roles; (3) establishing program information needs; (4) developing monitoring mechanisms; and (5) establishing how the program is to be evaluated on a national scale.
Status: Action in process. Estimated completion date: 01/88. According to DOT: (1) part one of this recommendation was completed in September 1987; (2) part two was completed in 1986; (3) a study regarding information needs will be completed in January 1988; (4) new federal program procedures were completed on October 1, 1987; and (5) the Office of Program Management developed a national plan with established goals and objectives in 1987.

Ground Transportation

Auto Safety and Emissions: No Assurance That Imported Gray Market Vehicles Meet Federal Standards

RCED-87-29, 12/11/86

Background

In response to a congressional request, GAO reviewed how the National Traffic Safety Administration (NHTSA), Environmental Protection Agency (EPA), and U.S. Customs Service carry out their respective responsibilities regarding the Gray Market Vehicle Enforcement Program, specifically: (1) the problems they encounter in administering safety and admission standards; (2) the costs of implementing the program; (3) the extent to which each of the three involved agencies uses contractors for the program and their contract award methods; (4) the extent of coordination between NHTSA, EPA, and Customs; (5) the extent to which the importation of nonconforming vehicles has become a commercial operation; and (6) the extent to which importers can modify nonconforming motor vehicles to conform to emission and safety standards.

Findings

GAO found that: (1) NHTSA does not inspect firms that modify vehicles to ensure that they have the capability to conform the vehicles to the safety standards; (2) NHTSA does not test the vehicles after modifications; (3) EPA has a certification program that recognizes certain firms and laboratories that have the capability to modify the vehicles to meet the emission standards or perform the federal emission test procedures, but does not provide for periodic inspection of the modifying firms or vehicle testing; (4) NHTSA and EPA had not timely submitted documentation for 21 of 50 vehicles GAO reviewed; (5) the adequacy and accuracy of the documents substantiating that 29 vehicles conformed with the safety standards was questionable; (6) EPA could not locate emission compliance documentation on 26 vehicles; (7) EPA granted 24 exemptions on the basis of the vehicles' ages and on test results EPA-recognized testing laboratories submitted; and (8) in a 1984 study, only 1 of 27 gray market vehicles that EPA initially approved after laboratory tests passed all parts of the emission test. GAO also found that Congress proposed legislation that would: (1) require NHTSA to provide greater assurances of proper modification of gray market vehicles to meet safety standards; (2) restrict the importation of vehicles that did not conform to safety standards; and (3) establish eligibility controls over consumer importation of nonconforming vehicles.

Open Recommendations to Agencies

Recommendation: The Secretary of Transportation should direct the Administrator, NHTSA, to improve controls over its program by establishing a process similar to the EPA program, whereby firms are recognized by NHTSA, through certification, as being capable of modifying gray market vehicles. In addition, NHTSA should periodically reinspect these firms and consider testing a sample of modified vehicles as a check on the firm's performance in ensuring vehicle compliance with the safety standards. In considering the appropriate scope, frequency, and amount of testing, NHTSA should take into account factors such as staffing constraints, as well as the safety standards for which compliance testing is technically practical and cost-effective.
Status: Recommendation valid/action not intended. NHTSA disagreed with this recommendation. The Chairman, House Committee on Energy and Commerce, is pursuing the matter with the agencies and industry groups.

Recommendation: The Administrator, EPA, should improve the controls over its program by periodically inspecting both the modifying firms and test laboratories that have been previously recognized and consider testing the vehicles, on a sample basis, to ensure compliance with federal emission standards. In considering the scope and amount of testing, various factors should be taken into account, including staffing constraints and the costs of such testing.
Status: Action in process. EPA has a draft final rule in process. The Chairman, House Committee on Energy and Commerce, is pursuing the matter with the agencies and industry groups. As of October 23, 1987, EPA had not completed action on its draft final rule.

Ground Transportation

Department of Transportation: Enhancing Policy and Program Effectiveness Through Improved Management

RCED-87-3, 04/13/87

Background

Pursuant to a congressional request, GAO reviewed the Department of Transportation's (DOT) changing role as its programs place greater reliance on state, local, and private sectors to operate transportation systems, in order to: (1) assess DOT management; (2) analyze its problems; and (3) recommend improvements.

Findings

GAO found that: (1) DOT has made transportation safety one of its highest and most visible priorities, but needs a more systematic approach for measuring progress; (2) since grantees now have greater control over funds and more flexibility to select projects, DOT needs to resolve issues concerning program accountability; (3) to prevent loss of services due to budget reductions, DOT needs to modernize its financial,

information resource and procurement systems; (4) DOT needs to improve its management of human resources to cope with changes caused by deregulation and the emphasis on deficit reduction; and (5) DOT needs to implement a strategic research and development (R&D) policy by linking R&D investment resources to DOT priorities and industry needs.

Open Recommendations to Agencies

Recommendation: To enhance and sustain the progress DOT has achieved in improving its management of safety programs and resources, the Secretary of Transportation should direct that operational measures of effectiveness be developed and applied for safety programs throughout DOT to link the overall goal of safer transportation with ongoing program activities and to provide the basis for setting program objectives, monitoring performance, and allocating resources.
Status: Action in process. This recommendation parallels recommendations made by the Secretary of the Safety Review Task Force. Action is currently in process.

Recommendation: To enhance and sustain the progress DOT has achieved in improving its management of safety programs and resources, the Secretary of Transportation should require that productivity standards, including the definition and use of standards of quality, timeliness, and efficiency for delivery of services, be used to integrate productivity improvement with safety program planning throughout DOT and to establish and implement annual productivity improvement goals.
Status: Action in process. This recommendation parallels recommendations made by the Secretary's Safety Review Task Force. Action is currently in process.

Recommendation: To enhance and sustain the progress DOT has achieved in improving its management of safety programs and resources, the Secretary of Transportation should ensure that current and accurate staffing standards (e.g. standard hours for completing program tasks) are used in formulating safety program budgets throughout DOT.
Status: Action in process. This recommendation parallels recommendations made by the Secretary's Safety Review Task Force. Action is currently in process.

Recommendation: The Secretary of Transportation should strengthen the DOT grant programs by reassessing and defining the DOT role in managing and overseeing its grants programs.
Status: Action in process. DOT is proposing to reassess its grants management rule. Objectives and milestones are being developed.

Recommendation: The Secretary of Transportation should strengthen the DOT grant programs by developing a grants management strategy appropriate for carrying out that role.
Status: Action in process. DOT is proposing to reassess its grants management role. Objectives and milestones are being developed.

Recommendation: Given the various mandates and continuing need to strengthen the integrity of the DOT financial, information, and procurement systems, the Secretary of Transportation should establish an agenda or action plan for short- and long-term improvements. The agenda GAO provided could be the basis for developing a blueprint for the future. GAO recognizes that many factors must be considered, yet it believes that with the Secretary's continued support and commitment, such a blueprint can guide the building and maintenance of sound financial, information, and procurement systems across DOT.
Status: Action in process. Major initiatives, including the development of a departmental accounting system, and other short- and long-term improvements to management support systems, are underway.

Recommendation: Because change management and strategic human resource management require sustained effort and attention over the long term, the Secretary of Transportation should take additional steps to focus on human resource management DOT-wide. These steps should provide visibility and tangible evidence of top management commitment by establishing a prominent organizational focus for strategic human resource management at both the operating administration and Office of the Secretary of Transportation levels.
Status: Recommendation valid/action not intended. Focus and management commitment to an effective human resources management program is being carried out through the existing organizational structure.

Recommendation: Because change management and strategic human resource management require sustained effort and attention over the long term, the Secretary of Transportation should take additional steps to focus on human resource management DOT-wide. These steps should develop a DOT-wide awareness of the importance and value of change management and strategic human resource management.
Status: Action in process. DOT-wide focus is being given to human resource management through various training programs, as well as other personnel reforms.

Recommendation: Because change management and strategic human

resource management require sustained effort and attention over the long term, the Secretary of Transportation should take additional steps to focus on human resource management DOT-wide. These steps should develop the selection, appraisal, reward, and development functions needed to support human resources management activities and spur management improvement.
Status: Action in process. DOT-wide focus is being given to human resource management through various training programs, as well as other personnel reforms.

Recommendation: To better integrate policy with program management and support system requirements, and to promote productive use of the information resources available to support policymaking, the Secretary of Transportation should: (1) establish a framework to direct and support the development, implementation, and monitoring of transportation policies, which would include the basic elements enumerated in table 6.1 of this report; and (2) initiate an assessment of DOT policy-related data requirements and responsibilities, including an inventory and evaluation of the data currently collected, data no longer collected, and the costs, if any, imposed by the unavailability of data, and the most cost-effective means of meeting DOT present and expected needs for transportation data collection and analysis.
Status: Recommendation valid/action not intended. DOT is continuously assessing its program support requirements; however, it will continue efforts to improve R&D activities linkage with secretarial priorities and industry needs.

Ground Transportation

Trucking Deregulation: Proposed Sunset of ICC's Trucking Regulatory Responsibilities

RCED-87-107, 04/23/87

Background

In response to a congressional request, GAO: (1) assessed the merits of retaining or eliminating certain Interstate Commerce Commission (ICC) trucking regulatory functions; and (2) estimated the budgetary impact of deregulation on ICC.

Findings

GAO found that: (1) ICC had eight ancillary trucking regulatory functions, for which it spent about 483 staff years in fiscal year (FY) 1985; (2) the labor effort has decreased by 13 percent and is expected to decrease an additional 5 years in FY 1988; (3) the budgetary effects of deregulation would depend on which functions Congress eliminated and how other agencies met those responsibilities; (4) while there is broad support for continued Department of Transportation (DOT) regulation of the trucking industry's safety practices and insurance coverage, there is little evidence of how ICC improves safety through its limited monitoring role; (5) the existing disparities in insurance coverage requirements for private carriers and for-hire carriers may not have merit, since the insurance requirements promote safety; (6) there was no consensus on the continuing value of ICC promulgation and enforcement of rules regarding liability responsibility for cargo damage; and (7) neither DOT nor the Office of Management and Budget (OMB) plans to collect the needed truck data if Congress eliminates the ICC data-gathering role.

Open Recommendations to Congress

Recommendation: If Congress acts favorably on proposed deregulatory legislation, it may wish to consider revising the provisions in section 30 of the Motor Carrier Act of 1980, which specify insurance requirements for motor carriers, so as to make the requirements for private and for-hire carriers identical.
Status: Action not yet initiated.

Recommendation: If Congress takes further action on deregulatory legislation, it may wish to consider either retaining the Carmack Amendment as statutory law, or replacing by statute both the statutory and common law cargo damage liability requirements, leaving such requirements solely to contractual agreements between the carrier and the shipper.
Status: Action not yet initiated.

Recommendation: Congress may also wish to consider, in any deregulatory legislation, the need to restructure the collection of data on the trucking

industry in the federal government to ensure that public and private needs for data are met in the most cost-effective manner if the ICC role in data collection is terminated. Congress may wish to mandate that DOT act to coordinate such a restructuring along the lines described above.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Secretary of Transportation should direct appropriate department officials to develop a long-term assessment of requirements for and costs of data on truck transportation, based on the needs of various users in the federal and state governments and in the private sector, and, in conjunction with OMB, coordinate data gathering among DOT, ICC, Census, and other truck transportation data-gathering agencies.
Status: Recommendation valid/action not intended. DOT does not believe that further action is needed.

Ground Transportation

Rail Abandonments: Abandonment Activity and Shipper Views on Rail Service Loss

RCED-87-82, 07/17/87

Background

Pursuant to a congressional request, GAO provided information on railroad abandonments, focusing on: (1) the amount of mileage railroads attempted to abandon; (2) shippers' and local officials' perspectives on the abandonment process; and (3) shippers' views on the effects of rail abandonments on their operations.

Findings

GAO found that: (1) railroads requested the Interstate Commerce Commission's (ICC) permission to abandon 36,900 miles of rail lines from 1970 through 1985; (2) ICC denied permission for 6.9 percent of that mileage; (3) while many factors influenced railroads' decisions to abandon rail lines, it could not determine the primary causes of abandonments; (4) protesters in abandonment proceedings were generally unaware of the various forms of assistance that ICC could provide to them; (5) protesters and state transportation officials opposed the ICC method of considering railroad opportunity costs in abandonment decisions; (6) many shippers believed that converting to other forms of transportation increased their transportation costs; and (7) abandonments have forced some shippers of bulk commodities to relocate their rail-dependent facilities.

Open Recommendations to Agencies

Recommendation: Given the ICC regulatory requirement that the Office of Public Assistance (OPA) ensure that all aspects of proceedings are fully developed and that shippers be adequately informed of ICC assistance, ICC should modify its regulations to require that rail-user communities be informed of assistance available to protesters when railroads first notify ICC of their intent to abandon a branch line. Furthermore, OPA should be charged with this notification responsibility. The ICC Office of Hearings should also refer to available assistance in its Notice of Hearings if ICC decides to investigate a case set for oral hearing.
Status: Recommendation valid/action not intended. ICC does not plan any change in its current procedures.

Ground Transportation

Highway Needs: An Evaluation of DOT's Process for Assessing the Nation's Highway Needs

RCED-87-136, 08/07/87

Background

In response to a congressional request, GAO evaluated the Department of Transportation's Highway Performance and Monitoring System (HPMS) to determine the reasonableness of its highway needs assessment.

Findings

GAO found that: (1) the data collection procedures that the Federal Highway Administration (FHwA) and states used in preparing HPMS were statistically sound; (2) FHwA did not test the model's sensitivity to changes in key input data; (3) although FHwA scheduled a calibration test to determine how closely past and future needs paralleled actual capital investments, it did not develop a test methodology or establish a test completion date; (4) FHwA did not include sufficient information for model users in its technical manuals; and (5) the report presented total highway needs amounting to $315 billion through the year 2000, but it did not indicate that about one-half of this amount represented already existing backlogged needs.

Open Recommendations to Agencies

Recommendation: The Secretary of Transportation should direct the Administrator, FHwA, to include more detailed documentation in published technical manuals addressing such things as key model changes, their underlying rationales, and their effect on the model's results. This documentation would help ensure model continuity in the event of key FHwA employee turnover, assist researchers attempting to study the model's results, and assist those states attempting to modify the national HPMS model for their own needs.
Status: Action in process. Estimated completion date: 05/88. FHwA has initiated steps to better document published technical manuals.

Recommendation: The Secretary of Transportation should direct the Administrator, FHwA, to develop and document a methodology for a model calibration test and commit to a test completion date. Test results should provide FHwA and others with a clearer indication of how closely the model's needs estimates have paralleled actual highway investment practices and should help provide added confidence in the model's results.
Status: Action in process. Estimated completion date: 09/88. FHwA has begun the work process on developing a calibration methodology.

Recommendation: The Secretary of Transportation should direct the Administrator, FHwA, to adjust the Highway Needs report to separate backlogged from future highway needs in order to provide clearer information on highway needs and progress being achieved under current policies and programs.
Status: Action in process. Estimated completion date: 09/89. FHwA will include this information in the next biannual report.

Highway Transportation

Motor Vehicle Safety: Enforcement of Federal Standards Can Be Enhanced

RCED-87-2, 12/15/86

Background

GAO reviewed the Department of Transportation's (DOT) National Highway Traffic Safety Administration's (NHTSA) oversight and management procedures for: (1) selecting safety standards, motor vehicles, and equipment for compliance testing; (2) investigating vehicles and equipment that fail compliance tests; and (3) assessing civil penalties against manufacturers or distributors that do not comply with federal standards.

Findings

GAO found that: (1) NHTSA has not tested some standards for long periods and has never tested others; (2) the deterrent value of NHTSA testing activities is not as strong as it could be because its selection process does not ensure testing of each standard over a period of time; (3) NHTSA cannot ensure that manufacturers comply with all of its standards because it has excluded some standards from testing; (4) resolving cases can take from less than 1 year to as much as 7 years because NHTSA has not established a system of management controls over the processing of investigation and civil penalty cases; and (5) NHTSA has not established guidelines concerning penalty assessments.

Open Recommendations to Agencies

Recommendation: To improve the processing efficiency of all investigations and resulting civil penalty actions and recalls, the Secretary of Transportation should direct the Administrator, NHTSA, to develop criteria and procedures for the Office of Vehicle Safety Compliance (OVSC) to follow in determining which noncompliance investigations should be forwarded to the Office of Chief Counsel for penalty assessments.
Status: Recommendation valid/action not intended. NHTSA does not believe that decisions on which cases OVSC forwards to the Chief Counsel lend themselves to a set of rigid guidelines. GAO believes that the high-rejection rate of cases OVSC forwarded to the Chief Counsel suggests that the informal process is not as efficient as it could be. Thus, this recommendation, which does not require rigidity, is valid.

Recommendation: To improve the processing efficiency of all investigations and resulting civil penalty actions and recalls, the Secretary of Transportation should direct the Administrator, NHTSA, to develop milestones and procedures for processing civil penalty cases.
Status: Recommendation valid/action not intended. NHTSA does not believe that the processing of civil penalty cases lends itself to a set of rigid guidelines. GAO believes that this recommendation is valid because it calls for a necessary internal control which NHTSA lacks. If S. 853 is passed by Congress, NHTSA will be required, by law, to implement this recommendation.

Hospital and Medical Care for Veterans

Better Guidelines Could Reduce VA's Planned Construction of Costly Operating Rooms

HRD-81-54, 03/03/81

Background

The Veterans Administration (VA) is planning to spend more than $1 billion to replace 10 of its medical centers. Each replacement center will have a surgical suite, which is among the most costly hospital departments to construct and operate.

Findings

In reviewing operating room utilization at centers that VA intends to replace, GAO found that, on the average, the 74 operating rooms at these centers were idle about 50 percent of the time that they were available for scheduled surgery. The current planning criterion used by VA calls for 1 operating room for every 28 surgical beds. The continued use of this criterion could result in overconstruction of operating rooms with resulting low utilization. In developing its criterion, VA did not recognize that not all patients admitted to surgical beds undergo surgery. VA did not fully recognize the significant variation among medical centers in the type of surgical procedures performed and the length of time different surgical procedures take. Average operating times varied significantly among VA medical centers. Surgical procedures generally performed by medical school residents at affiliated centers took longer than similar procedures performed by VA staff at nonaffiliated centers. GAO developed a model for planning operating rooms which focused on the unique surgical work-load characteristics of each VA center. It showed that VA could handle the surgical work load with 22 fewer operating rooms than planned using the present criterion, a potential $3.5 million saving. VA assigned more operating room nurses than needed to handle the surgical work load due to this criterion, and savings could be realized if VA made use of less-skilled personnel to do many of the nonprofessional tasks now handled by operating room nurses.

Open Recommendations to Agencies

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to develop staffing guidelines for operating room nurses based on the number of operating rooms needed to handle the surgical work load.
Status: Action in process. Estimated completion date: 03/88. First draft of the circular incorporating nurse staff guidelines for operating rooms and recovery rooms was completed by the end of fiscal year 1987. The new estimated date for publication is March 1988.

Hospital and Medical Care for Veterans

VA Central Office Needs To Exercise Better Oversight of Cardiac Pacemaker Recalls

HRD-84-33, 04/16/84

Background

GAO reviewed the actions taken by the Veterans Administration (VA) in response to recalls of defective pacemakers.

Findings

The Food and Drug Administration (FDA) has the authority to ban or recall medical devices, including pacemakers, that present "unreasonable risks or substantial harm," and it informs VA when pacemakers have been recalled. GAO found that, at the VA centers it visited, pacemaker recalls were not effectively managed. GAO learned that the VA computerized pacemaker

registry indicated that some recalled pacemakers are still implanted in VA patients. VA guidance regarding pacemakers deals primarily with the removal of recalled pacemakers from stock and has not defined when a recalled pacemaker should be considered critically unreliable. GAO also questioned the accuracy, completeness, and reliability of the computerized pacemaker registry and, therefore, its current usefulness.

Open Recommendations to Agencies

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to establish criteria, as part of program guidance, to define when a recalled pacemaker should be considered critically unreliable.
Status: Action in process. Estimated completion date: 03/88. VA is revising the circular which contains program requirements. The circular should be issued by March 30, 1988.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to revise program guidance to require that medical centers: (1) inform patients of pacemaker recalls unless the reasons for not informing the patient are documented in the medical record; and (2) document the actions taken in response to the recall in the patients' medical records.
Status: Action in process. Estimated completion date: 03/88. VA is revising the circular which contains program requirements. The circular should be issued by March 30, 1988.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to identify all VA patients using recalled pacemakers and ensure that: (1) they have been informed of the recall or that the reasons for not informing the patient are documented in the patients' medical records; and (2) all actions taken in response to the recalls are documented in affected patients' medical records.
Status: Action in process. Estimated completion date: 03/88. VA is revising the circular which contains program requirements. The circular should be issued by March 30, 1988.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to establish a timetable for development of the clinical pacemaker registry and, in the interim, take steps to improve the completeness and reliability of data contained in the existing registry.
Status: Action in process. A timetable will be established after the program circular is revised.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to establish a program to monitor the actions taken by medical centers in response to pacemaker recalls.
Status: Action in process. Estimated completion date: 03/88. The program circular is being revised and should be issued by March 30, 1988.

Hospital and Medical Care for Veterans

VA Needs a Systematic Approach To Assess the Management of Its Outpatient Clinics

HRD-85-15, 12/07/84

Background

GAO reviewed the management of 15 Veterans Administration (VA) outpatient clinics to determine the extent to which Department of Medicine and Surgery (DMS) officials had established performance standards, collected needed data, and provided the incentives necessary to assess the efficiency of individual clinics.

Findings

GAO found that: (1) DMS had standards by which the performance of its outpatient clinics was to be assessed, but clinic managers viewed these standards as outdated, simplistic, and too lenient to use for measuring their clinics' efficiency; (2) DMS routinely gathered and reported data on clinic performance, but clinic managers experienced problems with the data's accuracy; (3) DMS had a budget process and a system for evaluating medical center director performance that emphasized the volume of outpatients treated and did not provide incentives for the directors to assess their clinics' performance; and (4) regional directors were responsible for monitoring clinic performance, but they were not doing so effectively. GAO noted that DMS has begun several actions to correct these problems, including establishing staffing standards

for outpatient care activities, implementing recommendations to improve data reliability, and initiating a new resource allocation system to provide an incentive for managers to ensure that facilities are operating efficiently.

Open Recommendations to Agencies

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director, DMS, to: (1) identify, in consultation with central office, regional, and outpatient clinic officials, performance indicators needed to measure outpatient clinic efficiency; (2) establish, and update as necessary, generally accepted standards for indicators that central office and regional management officials can use to identify clinics needing management attention; and (3) require that regional directors substantiate, on a clinic-by-clinic basis, the reasons for substantial deviations from the revised performance standards and routinely report such information to the responsible central office officials.

Status: Action in process. Estimated completion date: 01/88. VA established a task force to respond to this recommendation. The task force will recommend performance measures and a reporting mechanism for central office and field managers' use.

Hospital and Medical Care for Veterans

VA Hospitals: Surgical Residents Need Closer Supervision

HRD-86-15, 01/13/86

Background

In response to a congressional request, GAO reviewed Veterans Administration (VA) hospitals' supervision of surgical residents to determine whether: (1) the supervision is adequate; (2) VA is monitoring this supervision; and (3) the supervision in VA hospitals is comparable to that in non-VA hospitals.

Findings

GAO reviewed surgical resident supervision at 10 VA and 15 non-VA hospitals and sent questionnaires to supervising surgeons and residents at 28 VA hospitals. GAO noted that, since VA supervision criteria were too broad, it developed its own more specific criteria establishing the minimum supervision needed to ensure quality patient care and effective resident training. GAO found that: (1) compliance with GAO intraoperative criteria was generally adequate; (2) compliance with the preoperative and postoperative criteria was insufficient; (3) hospital enforcement of VA criteria varied, affecting residents' supervision; and (4) only 34 percent of the 148 surgical cases reviewed were in compliance with all the GAO criteria. VA primarily monitors supervision by reviewing annual audits that VA hospitals submit; however, GAO found that: (1) 33 percent of the hospitals did not submit the results of their audits for fiscal year 1984; (2) only one of the reports submitted contained enough information to monitor preoperative, intraoperative, and postoperative supervision; (3) VA headquarters had not told the regional directors responsible for enforcing the audit requirement which VA hospitals had not complied; and (4) VA hospitals had not issued specific requirements for monitoring supervision, causing the quality to vary. GAO also found that the level of VA hospital supervision was slightly lower than that at non-VA hospitals, perhaps due to lack of incentives such as reimbursement requirements.

Open Recommendations to Agencies

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to revise VA criteria on supervision of surgical residents so that the criteria are no less specific than GAO criteria. The revised criteria should define the appropriate actions for preoperative and postoperative supervision.

Status: Action in process. Estimated completion date: 05/88. VA is in the process of revising its manual to include this recommendation.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to require that VA hospital chiefs of surgery enforce criteria for surgical resident supervision. This enforcement should include not allowing surgeons whose schedules do not permit supervising all three phases of surgery to supervise residents.

Status: Action in process. Estimated completion date: 05/88. VA is in the process of modifying its manual to indicate that, generally, one supervising surgeon would supervise all three phases of surgery and, if this is not possible, the supervising surgeons should communicate.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to specify and standardize the systems VA hospitals should use to monitor and report on the supervision of surgical residents.
Status: Action in process. Estimated completion date: 05/88. VA is in the process of modifying its manual to standardize the reports on supervision of residents.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to revise VA criteria on supervision of surgical residents so that the criteria are no less specific than GAO criteria. The revised criteria should relate the five levels of intraoperative supervision to the level of the resident and complexity of the case.
Status: Action in process. Estimated completion date: 05/88. VA is currently modifying its manual to relate the level of the resident to the level of supervision.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to revise VA criteria on supervision of surgical residents so that the criteria are no less specific than GAO criteria. The revised criteria should clarify the provision exempting certain residents from the criteria.
Status: Action in process. Estimated completion date: 05/88. VA is in the process of modifying its manual to clarify this exemption.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to require that VA hospital chiefs of surgery enforce criteria for surgical resident supervision. This enforcement should include not allowing scheduled surgery to proceed unless the preoperative criteria are met.
Status: Action in process. Estimated completion date: 05/88. VA concurred with the recommendation and will implement it through a change to the manual.

Hospital and Medical Care for Veterans

VA Health Care: VA's Patient Injury Control Program Not Effective

HRD-87-49, 05/18/87

Background

Pursuant to a congressional request, GAO reviewed the effectiveness of the patient injury control function in the Veterans Administration's (VA) quality assurance program.

Findings

At the nine centers GAO visited, it found that: (1) the patient injury control program was not effective in preventing the recurrence of unexpected deaths and surgical complications; (2) in fiscal year 1985, VA medical centers reported about 85,000 incidents involving patient injuries, but did not report more serious injuries because of staff disincentives, lack of central oversight, and inadequate reporting guidelines; (3) VA referred only 36 percent of the incidents requiring investigation to the medical inspector; (4) VA did not compare data on patient incidents over time because it thought that it would take care of the incidents on a case-by-case basis or by other quality assurance activities; and (5) an occurrence screening program would complement the incident-reporting program.

Open Recommendations to Agencies

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to develop guidelines that identify the data to be gathered and analyzed for trends and provide guidance on conducting the trending and analysis.
Status: Action in process. Estimated completion date: 10/88. The VA manual now identifies what data is to be gathered and analyzed, but the guidance on conducting the trending and analysis is not yet complete.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to require the medical inspector to analyze and trend VA program data to determine if individual medical centers are not reporting

patient incidents or are having problems providing quality care.

Status: Action taken not fully responsive. VA actions deal only with tort claims. GAO wanted an analysis of that plus other data that can be obtained from the FTF files.

Hospital and Medical Care for Veterans

VA Health Care: Financial and Quality Control Changes Needed in Domiciliary Care

HRD-87-57, 06/18/87

Background

GAO reviewed the Veterans Administration's (VA) domiciliaries to determine whether they: (1) enforced VA financial eligibility criteria for domiciliary care; (2) performed and documented required physical examinations; and (3) developed individual treatment plans for eligible veterans.

Findings

GAO found that: (1) 29 percent of the veterans at the domiciliaries it reviewed exceeded the monthly income limit, and domiciliary officials stated that they rarely rejected needy veterans for care, regardless of income; (2) neither VA nor Congress has raised the income limit since 1980, despite radical increases in the costs of living and medical care; (3) when Congress revised eligibility criteria for other VA programs, it did not do so for the domiciliary program; (4) VA did not perform required physical examinations on about 13 percent of the veterans at domiciliaries it reviewed; (5) VA did not develop therapeutic treatment plans for about 22 percent of the veterans; and (6) VA officials stated that VA performed examinations but did not document them, which could restrict VA ability to ensure the quality of care.

Open Recommendations to Agencies

Recommendation: The Administrator of Veterans Affairs should amend VA regulations to raise the monthly income limit for domiciliary care. The regulations should also allow for: (1) automatic adjustments to tie the limit to cost-of-living changes; and (2) taking the veteran's family size into account.
Status: Action in process. The regulations may or may not be changed pending the outcome of the Administrator's review of the Department of Medicine and Surgery's proposal to raise the limits. Congress is considering legislation that will accomplish the same purpose.

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to enforce compliance with quality assurance procedures. Specifically, the domiciliaries should: (1) perform all required medical examinations; (2) develop required therapeutic treatment plans within the established time frames; and (3) document medical diagnoses, planned treatment, and treatment results in patients' medical records.
Status: Action in process. Estimated completion date: 03/88. A circular implementing the recommendation is being prepared.

Hospital and Medical Care for Veterans

Vietnam Veterans: A Profile of VA's Readjustment Counseling Program

HRD-87-63, 08/26/87

Background

In response to a congressional request, GAO provided information on the Veterans Administration's (VA) Readjustment Counseling Program, specifically: (1) the need for retaining centers in community-based locations; (2) the characteristics and problems of clients who have sought counseling; and (3) program management issues.

Findings

GAO found that: (1) relocation of centers to existing VA facilities would probably not reduce program costs or improve veterans' access to quality counseling services; (2) most of the veterans who sought counseling served during the Vietnam era and appeared to have motivational or behavioral problems; and (3) there has been no significant change in the personal characteristics of clients since the program began. In addition, GAO found that the centers: (1) offer an array of services, including individual and group counseling and assistance with employment and VA benefits; (2) have established extensive community networks for outreach and referrals; and (3) are staffed by personnel with the academic, military, and professional experience that VA considers relevant, although many have been in their positions for less than 1 year. GAO also found that: (1) site visits are a critical mechanism for monitoring the centers' activities, but are not always conducted because of staff shortages and time demands; (2) data on client contact is incomplete and inconsistent; and (3) VA has not reviewed the quality of the counseling provided.

Open Recommendations to Congress

Recommendation: Congress should consider permitting VA to decide on a case-by-case basis whether to relocate vet centers from storefront locations to existing VA facilities.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Administrator of Veterans Affairs should direct the Chief Medical Director to determine whether any outpatient clinic located closer than the current support facility could better provide clinical and training support to a vet center.
Status: Action in process. Estimated completion date: 01/88. Instructions implementing this recommendation will be issued to the field during the first quarter of fiscal year (FY) 1988.

Recommendation: The Administrator of Veterans Affairs, through the Chief Medical Director, should require medical center directors to include vet centers in their systematic internal reviews.
Status: Action in process. Estimated completion date: 01/88. VA has stated that medical centers are not responsible for vet centers. New SERP protocol specifies requirements for internal reviews and states that a vet center's team leader should conduct such reviews. Specifications for the frequency of internal reviews is being developed.

Recommendation: The Administrator of Veterans Affairs, through the Chief Medical Director, should establish specific requirements for regional and team leader reviews of vet center clinical files, including specifying the minimum frequency, magnitude, and documentation requirements, as well as requiring the reviewers to comment on quality of care provided to clients.
Status: Action in process. Estimated completion date: 01/88. A standardized protocol for regional staff reviews of counseling records is in use. Specifications for team leaders' reviews are now being designed and will be implemented in the first quarter of FY 1988.

Income Security for Veterans

Veterans Administration: VA Pensions to Medicaid Nursing Home Residents Should Be Reduced

HRD-87-111, 07/10/87

Background

GAO reviewed how Veterans Administration (VA) and Medicaid benefits interact to determine: (1) how many medical nursing home residents are receiving VA pensions; (2) how states apply these pensions toward the cost of care; (3) the effect of VA pensions on state and federal costs; and (4) how other needs-based programs adjust benefits for institutionalized recipients.

Findings

GAO found that: (1) about 6 percent of the Medicaid nursing home residents in the eight states it reviewed received VA benefits; (2) each state required veterans to apply their VA pensions toward the cost of their care; (3) because the states applied the VA payments to the cost of care as part of the Medicaid recipient's income, the federal government paid a higher percentage of Medicaid nursing home costs for veterans with VA benefits than those with no income; and (4) all eight states instituted programs to maximize VA benefit collections on behalf of Medicaid nursing home residents, since the federal government pays about 71 percent of the cost.

Open Recommendations to Congress

Recommendation: Congress should amend title 38 to require that the VA pension for veterans and their survivors who enter a nursing home under Medicaid be reduced. One way would be to amend title 38 to extend the VA pension reduction criteria that currently apply when the recipient is institutionalized in a VA-supported facility to cover recipients supported by Medicaid. Alternately, the reduction could be tailored to the personal needs allowance established by each state Medicaid agency.
Status: Action not yet initiated.

Income Security for Veterans

Veterans' Benefits: Improving the Integrity of VA's Unemployability Compensation Program

HRD-87-62, 09/21/87

Background

In response to a congressional request, GAO reviewed the Veterans Administration's (VA) Unemployability Compensation Program to determine whether: (1) veterans receiving unemployability benefits were reporting their earnings to VA as required; and (2) access to tax information would enable VA to better administer the program.

Findings

GAO found that: (1) 90 percent of the veterans receiving unemployability benefits failed to report their earnings; (2) veterans received potential overpayments of over $10 million during 1984 and 1985; (3) VA rating boards used different criteria in determining marginal earnings, which resulted in unequal and inconsistent eligibility determinations for unemployability benefits; (4) although access to tax information could improve payment accuracy, granting VA access to any tax information would raise privacy concerns; and (5) VA did not have the medical evidence it needed to evaluate veterans for employment in 75 percent of its files.

Open Recommendations to Congress

Recommendation: To improve the VA eligibility determination process, Congress should consider amending section 6103(1)(7) of the Internal Revenue Code to permit VA access to tax information. Congress would need to weigh the potential benefits of such disclosure with: (1) privacy concerns; and (2) Internal Revenue Service concerns that expanding access in this way could affect voluntary compliance with the tax system.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: The Administrator of Veterans Affairs should amend the VA guidelines to clarify how marginal employment is defined for unemployability compensation so that the criteria used in making determinations of marginal employment are consistent between rating boards.
Status: Action in process. VA is currently seeking the most appropriate method of implementing this recommendation.

Recommendation: The Administrator of Veterans Affairs should revise guidelines on determining eligibility for unemployability compensation by: (1) informing the examining physician that the results of the medical examination will be used for a determination of unemployability and requesting that he provide observations on how the service-connected medical condition impairs the veteran's functional capacity in daily living; and (2) obtaining vocational information during an interview with the veteran by a professional in a Vocational Rehabilitation and Counseling Division. The interview should take place after the medical evaluation, but prior to the unemployability benefit award decision by a rating board. In addition to a work history, the vocational information should provide information on such things as how the veteran's service-connected condition affects job skills and employment potential.
Status: Action in process. VA plans to revise the: (1) section of its manual instructing adjudicators to annotate the request for exam form; and (2) request for exam form to identify veterans seeking unemployment benefits. VA is determining the number of cases involved, age of individuals, types of disability, and resources necessary before agreeing that the Voc-Rehab staff will interview unemployability applicants.

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